THE QUESTION CONCERNING THE DEPRECIATION OF OUR Currency STATED AND EXAMINED.

By W. HUSKISSON, Esq. M.P.

"It is the interest of every country that the Standard of its Money, once settled, should be inviolably and immutably kept to perpetuity. For whenever that is altered, upon what pretence soever, the Publick will lose by it.

"Men, in their bargains, contract, not for denominations or sounds, but for the intrinsick value." LOCKE *on Money.*

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PREFACE.

FROM the circumstance of my having been a member of the Bullion Committee, and from its being known to several of my friends that I had taken a part in the discussion which preceded the Report, I have been pressed, by more than one of them, for some explanation of my opinions respecting the state of our currency and circulation, and of the grounds on which those opinions are founded.—Gratified to find their attention awakened to all the importance of the subject, and with my own feelings fully alive to it, I committed to paper the substance of my opinions, in part before, and the remainder very soon after, the publication of the Report.

Proportionate to the general interest excited by that Report, has been the clamour raised against it. That clamour, and the strange doctrines which are set up in opposition to the principles and conclusions of the Committee, have induced some of those who had originally read what I had written with the partiality of

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friends, to express a wish that I would publish it.

If this wish had not been fortified by other considerations, I should not, by yielding to it, have exposed myself to the imputation of that vanity, to which such indiscreet compliance is generally, and perhaps often justly, ascribed. But when so many pens are employed to propagate what appear to me most false and dangerous theories upon the subject of our currency; when several of those who have taken upon themselves to controvert the Report, have gone out of their way to misrepresent the conduct, and to cast obloquy on the characters and motives of those who concurred in it; and above all, when the many evil consequences of an erroneous, or even an unsettled state of the publick mind upon a question of such vast importance, are considered; I trust that I shall be justified in submitting, what was originally prepared for an indulgent and limited circle only, to the examination and judgement of a more extended and impartial tribunal.

With deference then I venture to offer to the publick an exposition of the course of reasoning which led my mind to the conclusion which I have formed upon a question in which the publick has so deep an interest.

Any man, I think, who has read the pamphlet of Sir JOHN SINCLAIR, or the speech of Mr. RANDLE JACKSON to the Proprietors of Bank Stock, (as reported in the newspapers,) must admit that I have not unfairly described the attacks which have been made upon the Report of the Bullion Committee.

Both these productions appeared long after the following observations were written. To enter into any examination of their contents is not compatible with the object and limits of these introductory remarks; nor indeed, if it were, should I be tempted to such an examination, notwithstanding the circular invitation with which the Right Honourable Baronet is said to have accompanied the distribution of his pamphlet.

When among other theories equally extraordinary,—(whimsically dignified with the name of *axioms* in the work itself)—this author, before he is well clear of his preface, lays it down as a leading principle, "that the abundance of circulation is the great source of opulence and strength;" and emphatically styles it "*the mine of national prosperity;*"—when he defines *Money* to be "a well regulated paper currency with a certain proportion of coin"—I should be at a loss how to deal with such *axioms.* They appear to belong to that class of propositions which have been sometimes characterized by rhetoricians as being "neither true nor false;" and as they are (to me at least) wholly unintelligible, they must of course be unanswerable.

There is, however, one charge against the Committee, much dwelt upon both in the speech and in the pamphlet to which I have referred, with which I must detain my readers for a few moments. It is that of having made a Report directly contrary to, and altogether inconsistent with, the evidence.—This assertion has surprised me: and I have looked in vain for any proofs in support of it.

The Committee endeavoured, in the first instance, to collect and place upon their records certain *facts*; such, for instance, as the continued high price of gold bullion, and the great depression of the foreign exchanges.—To any *explanations*, that were offered by the witnesses, of the causes which had produced this state of things, they listened with the most patient attention: and have given them a place in the Appendix, in the words of the parties examined. But when these explanations appeared to the Committee to be either unfounded or insufficient; to be contradicted by the experience of

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former times, or by the actual state of facts; to be inconsistent with each other, or with the admissions of the witnesses themselves; could it be the duty of the Committee to adopt them as their creed? Was it not rather their duty to state, in what respect, in what degree, and in what instances these explanations appeared to them unfounded or insufficient; and to point out the circumstances by which they were contradicted, and the inconsistencies which they involved?

It was indeed for the House of Commons to consider whether they would appoint such a Committee at all, or refer such a subject to such a mode of examination: and if it was foreseen that the promulgation of an opinion, such as that which the Committee have formed, would be attended with public mischief, (which I however am very far from thinking) it might, in that case, be matter of regret that the House should have consented to its appointment. But, even in that case, nothing can be more unjust than to impute as blame to the members of the Committee, acting under the orders of the House, the due discharge of a duty which the House had thought proper to impose upon them.

In the execution of this duty it became

necessary to ascertain the principles by which the Directors of the Bank of England had been governed in the issues of their paper since the restriction.

This information could not be obtained from them in their corporate capacity: it could only be collected from those who were at the head of the Direction.

This forms by far the most important part of the evidence: because the supply of our circulation being now without controul in the hands of the Directors, it was essential to ascertain by what rules and principles they were guided in the exercise of this extensive discretion. Before this enquiry, these rules and principles were, I believe, unknown to the publick: they were certainly unknown to me. The Committee have stated them in the words of the Governor and Deputy Governor of the Bank; and have assigned reasons for thinking that they do not afford a check constantly and sufficiently operative against an over-issue, and consequent depreciation of Bank paper.—Is this what is called making a Report directly contrary to the evidence?

Mr. Jackson, indeed, is of opinion that the Committee ought to have surrendered their judgement

judgement altogether to the authority of those witnesses who asserted, that Bank Notes are "*not* depreciated;" and who stated as the grounds of that assertion, that "in *their* extensive and various transactions, no difference "exists between Bank Notes and coin."—As Mr. Jackson is, unfortunately, not the only person to whom this inference appears to be conclusive, it may be regretted, as an omission, that the Report of the Committee did not more particularly guard against it. There is perhaps no part of the question which is capable of being settled with greater ease and certainty. The experience of our own, as well as of all other countries, has placed beyond the reach of controversy the proposition, that if *one part* of the *currency* of a country (provided such currency be made either directly or virtually a *legal tender*, according to its *denomination,)* be depreciated, *the whole* of that *currency*, whether paper or coin, must be *equally* depreciated. This proposition, I trust, the reader will find satisfactorily made out in the following pages.

Whilst I am aware that I must despair of convincing persons so entirely at variance with the first principles of political economy, there is another, and I hope a larger class, to whose understandings the following observations must appear superficial and unnecessary. They certainly contain nothing which is new; or which can be striking or interesting to any readers of that class. A discussion which goes back to the first principles of our money system, and in which, at the risk of a wearying repetition, the same proposition is illustrated in several different modes, must appear superfluous to persons who are already well acquainted with those principles; and whose own ingenuity would supply them with illustrations more apt than any that I have been able to furnish.

But I am convinced, as well from the experience which I derived from the enquiries carried on in the Bullion Committee, as from every thing that has since come under my observation, that a great proportion of the publick, including (even in the limited circle of my own acquaintance) many men of excellent understandings, have either overlooked the elements of the whole question; or, more probably, have never turned their minds to the course of enquiry, which, if properly pursued, must have prevented some of the misconceptions now afloat on this subject. To the want of this knowledge, to the want of time, or

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opportunity, or inclination to attain it, much of the error which prevails in some quarters, and of the doubts, uncertainty, and apprehension which exist in many others, is, in my opinion, to be ascribed.

In the present state of the question, surely, no man who takes any interest in publick affairs, more especially if he have any legislative duty to discharge, will hesitate to acquire that knowledge; and to overcome any disinclination that he may feel from the natural dryness, or supposed intricacy of the question. The necessary information is to be easily obtained, by resorting to the history of our currency in former periods, and to those authors, in our own language, who are looked up to as of the highest authority in political economy. To which I may add, that, since the agitation of the question in Parliament, several excellent publications on the subject have made their appearance.

Of most of these publications, however, including even the very able pamphlet of Mr. Blake,* I cannot help observing, that they

* "Observations on the principles which regulate the "Course of Exchange, and on the present depreciated State "of our Currency." By W. Blake, Esq. This pamphlet contains the most complete exposition of the whole doctrine of exchange that I have met with in any language.

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appear to me, both to suppose a degree of elementary information in their readers, which all do not possess; and to take for granted, on the part of their opponents in the argument, a concession of principles, which have, indeed, been long since established as fundamental truths; but which have been again called in question on the present occasion. To revert, therefore, to first principles, and to endeavour to prove again what has been already so often proved, may, as I presume to think, be a useful, though humble, help in the discussion which now agitates the publick opinion of the country.

They who think with me, that it is by the establishment of sound, and the detection of false principles, upon points of general interest and leading importance in political economy, that the greatest benefits are secured to nations, or the greatest calamities averted from them, will not find fault with the mode in which I have ventured to treat the subject. They will even pardon the repetitions, which I have found unavoidable, when they consider that, in a question of a complicated nature, but admitting (as I conceive) of strict proof, one mode of arriving at the truth is more easily apprehended by some minds, and another by others;

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and that, in contentions, where interest and prejudice take a part, it is not enough to establish a proposition; it is also necessary to expose the fallacy of the reasoning by which it is attempted to be controverted.

Having once made up my mind to submit these remarks to the publick, I could not think of withholding my name. I am anxious to meet, upon a fair and equal footing, those persons who have publickly attacked the Report of the Committee. I wish to draw from them, either an admission of the *principles* which I state;—or a clear and explicit exposition of their own. If they admit the principles stated by me, it is for them to reconcile their own deductions to those principles, so admitted; and to disprove mine. If the difference between us be as to *principles*, let them lay fairly before the publick those, on which their theory is built; and shew the practical consequences, to which their own principles would, in their own opinion, lead.

I may add, that none of the considerations which sometimes disincline men in publick life from this mode of declaring their sentiments, apply in the present instance. The question is already necessarily before the publick. The parliamentary discussion of it is unavoid-

unavoidably at some distance. It is plain that the opinion of the publick will not remain so long altogether suspended: and besides it is a subject upon which many persons would rather collect their ideas and form their decision in the leisure of the closet, than in the warmth of debate.

I have yet another reason for avowing my opinions as openly and as early as possible. If I know my own mind, those opinions have been formed as coolly and dispassionately, as they could have been upon any point of abstract science: and I should have felt it as impossible to avoid coming to the conclusion to which I have been led upon this subject, as to refuse my assent to the demonstration of any problem in mathematicks. I say this the rather, because I see (and I see with deep regret) an attempt made to create political divisions on this subject: and to array particular parties against principles which, surely, are not to be classed among the articles of any political creed, or to be considered as connected with the separate interests of any party:—principles which, if false, may be disproved by calm argument, without the aid of influence or combination; but which, if true, cannot be refuted by clamour, and could not

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be overpowered by numbers or authority, without material hazard to the interests of the country.

So far as I know, and as I believe, this attempt has not hitherto been successful. The speech of Mr. RANDLE JACKSON, though it imputes *party spirit* to others, is obviously dictated by nothing more than a *corporation spirit:* a distinction which, fortunately, is too plain to be misunderstood. As to SIR JOHN SINCLAIR, the only other avowed author of such imputations, it would be most unjust, both to him and to mankind, to suppose him the organ of any other sentiments than his own.

Fatal, indeed, would it be for the country, if those who are to decide upon this question,—(a question which, while it is, on the one hand, so abstract as not to allow to error the apology of passion, yet, on the other hand, affects, in its practical consequences, the interests and the comforts of every class of society,)—could be persuaded to regulate their conduct, upon this occasion, by any feelings of political partiality or hostility. I trust that such feelings will not be allowed to disturb and exasperate this discussion: and, as to myself, I am most anxious to declare and record my opinions, while these feelings have not yet made any progress; and while the course of party politicks, (if, most unfortunately, party politicks are at any period to mix themselves with the subject,) is yet unascertained.

I am aware that I have already detained the reader too long upon points which are, in some degree, of a personal nature; especially as there is one other, more entirely personal, perhaps, on which I must request his indulgence for a few sentences. In discussions of an amicable nature which have arisen with those for whom these observations were originally intended, I have been asked, (and the question may possibly be repeated in a less amicable manner,) "Why I did not give to the publick an earlier warning on the subject,—why not, while I was myself in office, and before the evil had grown to its present height?"

My answer is, first—that it is one thing to trace effects, the existence of which is manifest, up to the causes which produced them: but that it would have been another, to foresee all the possible consequences of a new measure; especially when those consequences were liable to be produced, or to be varied, by circumstances of which one had no know-

knowledge. To the perspicacity, which alone could have qualified me for such foresight I do not pretend; but, nothing more than diligence and impartiality was required to qualify for the task of that enquiry and examination which, where the conclusion is as plain, as to my understanding it appears in the present instance, could not fail to lead to conviction.

I answer secondly, that neither I, nor any man with whom I ever had intercourse, official or private, upon the subject, at any time considered the restriction of Bank payments as any other than an expedient, originating in necessity; and determinable whenever that necessity should cease. Nor could I have imagined, till the examinations before the Committee produced the disclosure, that there existed any individual who viewed it as an improvement in our money system, or who could look with satisfaction to the possibility of its indefinite continuance.

I answer further, that those consequences of this measure which are developed in the Report of the Committee did not arise till a late period. Up to that period, the foreign exchanges were not unfavourable; and the market price of gold not materially above the Mint price:—two circumstances, of

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which I felt assured that the Bank Directors never lost sight in regulating their issues. During the suspension of cash payments, a permanent depression of those exchanges, or a rise in the price of gold, appeared to be pointed out to them, by the principles of their institution, and by the course of all former experience, as the obvious and best criterion of any tendency to excess in the amount of their paper. It was therefore natural to conclude, that, in regulating their issues, they constantly and carefully watched these indications of the value of their notes. Persons more conversant, than I could be, with the course of business at the Bank, and whose opinions might naturally be supposed to have great weight with some of the Directors, whilst they urged the importance of this criterion, appeared to entertain the same confidence with myself, that to all practical purposes, it was duly observed.* It was not, till the Committee were furnished with the evidence of the Governor and Deputy Governor of the Bank, that I found that, in regulating the amount of their issues, the Bank had no reference to this criterion.

* See—An Enquiry into the Nature and Effects of the Paper Credit of Great Britain. By Henry Thornton, Esq. M. P.

Before that declaration was made, I own that my opinions upon the whole subject were much more undecided. When the great fall in the foreign exchanges first took place, I ascribed it, without hesitation, and perhaps without much reflection, altogether to the effect of the violent measures, political and commercial, adopted on the Continent; and to the suspension of our commercial intercourse with the United States. When that fall had continued for near a twelvemonth, doubts arose in my mind whether, the cause of its long continuance might not be, that the Bank, from too much indulgence to their customers at some particular moment, had somewhat improvidently extended their issues; and too much delayed restoring them to a proper level. But as I still took for granted that they had not lost sight of the criterion above mentioned, my doubts went no further.

Such was the state of my mind at the time when I retired from office. Every month which passed from that time, whilst our exchanges were growing worse, and the price of gold rising, (notwithstanding that our expedition to the Continent was terminated, and our pecuniary aid to Austria discontinued,) could not fail to increase those doubts.

Under these circumstances, and very soon after the opening of the last session, the subject was taken up in parliament. When the Committee was appointed, I gave to the Enquiry all the attention in my power. The general principles which I carried with me to that Committee were the same which I now profess: but the information which has led me to a more specifick and particular application of them was chiefly derived from what came out in the investigation. When I found that the principle of regulating the issues and ascertaining the value of their paper by a reference to some *fixed standard*, and even the existence of such a *fixed standard* were either altogether overlooked by the Bank, (they could scarcely be unknown to them) or utterly disregarded in their practice,—my astonishment was great indeed. From that moment I was more at a loss to explain to myself why the evil was not greater, than to account for its present extent.

I am not ashamed to add that my individual efforts would not have enabled me to follow in all its practical bearings a subject of such extent and intricacy, without a far more regular and careful attention than was compatible with the incessant occupation, and

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multiplied duties of such publick situations as it has been my lot to fill:—and this is far from the only instance in which the studies and self-examination of retirement have shewn to me how great in almost every respect (assiduity perhaps excepted) were my own deficiencies in office.

I can, however, conscientiously declare that whatever humble means I may possess of discriminating between truth and error, between degrees of probability and strict proof, between conjecture and certainty; have been recently and anxiously employed in the re-examination of the opinion which I supported in the Committee.

Eartham, 23d October, 1810.

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QUESTION, &c.

THE various definitions of the word *money*, and the different acceptations in which that word is used in the ordinary transactions of life, have contributed to produce much of the doubt and uncertainty which prevail at this moment respecting the state of our currency.

Money, in the popular sense, is frequently considered as having no other value than one purely arbitrary and conventional. It is sometimes defined to be the *representative* of all other commodities; and sometimes the *common measure* of them. These definitions are both incomplete, as applied to *money;* because they are equally applicable to every description of *currency*, whether consisting of the precious metals, of paper, or of any other article.

It is of the essence of *money* to possess *intrinsick value.*

The quality of *representing* commodities does

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not necessarily imply intrinsick value; because that quality may be given either by confidence, or by authority. The quality of being *a common measure* does not necessarily imply intrinsick value, any more than the possession of a *foot rule* implies the power of acquiring whatever it enables us to measure. *Money*, or a given quantity of gold or silver, is not only the *common measure*, and *common representative* of all other commodities; but also the *common and universal equivalent*.

Paper currency has, obviously, no intrinsick value.

A *promissory note*, under whatever form, or from whatever source it may issue, *represents* value. It does so, in as much as it is an undertaking to pay, in *money*, the sum for which it is issued.

The *money*, or coin of a country, is so much of its capital. *Paper currency* is no part of the capital of a country—it is so much *circulating credit*.

Whoever buys, gives—whoever sells, receives such a *quantity* of pure gold or silver as is equivalent to the article bought or sold:—or if he gives or receives *paper* instead of *money*, he gives or receives that which is valuable only as it stipulates the payment of a given quantity of

gold

gold or silver. So long as this engagement is punctually fulfilled, paper will of course pass current with the coin with which it is thus constantly interchangeable. Both *money*, therefore, and *paper*, *promissory* of money, are *common measures* and *representatives* of the value of all commodities. But *money* alone is the *universal equivalent; paper currency* is the *representative* of that *money*.

Of *paper currency*, however, there are two sorts; the one resting upon *confidence*, the other upon *authority*.—Paper resting upon *confidence*, is what I have described as *circulating credit;* and consists in engagements for the payment, on demand, of any specifick sums of *money:* which engagements, from a *general trust* in the issuers of such paper, they are enabled to substitute for *money* in the transactions of the community.—Paper resting upon *authority*, is what, in common language, is called *paper money;* and consists in engagements issued and circulated under the sanction, and by the immediate intervention of the publick power of the state.

Paper, such as alone used to be current in Great Britain before the Restriction on the Bank, was strictly *circulating credit*.—The paper current in *Austria*, *Russia*, &c. is properly denominated *paper money*.

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The division and subdivision of the precious metals into various shapes and sizes; the proportion of alloy mixed with them in the coins of different countries; the stamp affixed upon such coins, and the names by which they pass current, are things in their nature arbitrary; and subject to such regulations as may be made by the sovereign power of each independent state. By any alteration in these particulars, the *price* of all other commodities, or, in other words, the amount or denomination of money in which their value is stated, may be altered; but these changes cannot affect the relation which the value of the bullion contained in the coin bears to that of such commodities.

Price, therefore, is the value of any given article, in the *currency*, by reference to which that article is measured, and must, of course, be varied by any variation in the *quantity* of gold or silver contained in such currency.

Supposing, for instance, the currency of a country to consist of gold, and that, without any variation in the relative proportion of this metal to that of other articles, the *denomination* of the existing coin should be raised, or its *standard* lowered, in any given proportion, the prices of all commodities would rise in the same proportion; although the *real* value of every such commodity,

modity, measured by a reference to the quantity of gold in such coin, would remain the same.—If, on the other hand, the quantity of gold in such a country (considered for the moment abstractedly from its intercourse with other countries) should be increased in any given proportion, the quantity of other articles and the demand for them remaining the same, the value of any given commodity, measured in the coin of that country, would be increased, or, in other words, the relative value of gold to other commodities would be decreased in the same proportion; although the *denomination* and *standard* of the coin should remain unaltered; and although no addition should have been made to the actual amount of that coin.

It must be almost superfluous to observe that by *denomination* is meant the specific name under which a piece of metal of a given quantity is known in the state of coin; and that *standard* is the precise *quantity* (ascertained by *weight* and *fineness*) fixed by law for pieces of each denomination. Thus the *standard* fineness of our gold coin is eleven parts of pure gold and one of alloy; and the *denomination* of a piece weighing 5 dwts. $9\frac{39}{89}$ gr. is a guinea.

It follows from this, that the right and duty of coining, which, in every independent state,

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is one of the most important attributes and functions of sovereignty, consists in affixing to certain pieces of the precious metals a *stamp*, which becomes to the subjects of that state, and to all the world, a publick voucher, that each piece, according to its denomination, is of the weight and fineness fixed by the law of that state. The publick honour and integrity of the legislature are pledged to the fidelity and exactness of the voucher, which is thus issued in the name of the Sovereign.

There is not therefore, nor can there be, any difference whatever, between any given coin, and an uncoined piece of the same metal of equal weight and fineness, except that the quantity of the former is accurately ascertained and publickly proclaimed to all the world by the stamp which it bears.

To apply these general observations to the particular money of this country:—

I assume, as admitted, that, in Great Britain, gold is the scale to which all prices are referred, and, since the 39th of the King, the *only* LEGAL TENDER, except for payments under *25l.*

I likewise assume, as unquestionable, both in fact and in law,

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1st, That a pound of gold, of our standard, is coined into 44 guineas and a half; and that any person may, at the King's Mint, procure any quantity of gold to be so coined, free of any expense whatever; the officers of the Mint being obliged to return, in coin, precisely the same quantity which may have been deposited with them, without making any charge for the conversion of it into money.

2dly, That, by law, these guineas which, when fresh from the Mint, weigh 5dwts. $9\frac{39}{89}$grs. each, cease to be a *legal tender* if, by wear or otherwise, they are reduced below 5dwts. 8grs. which is a diminution in their value of a small fraction more than *one* per cent.

Consequently, the law of England, before the year 1797, distinctly secured to every man, that he should not be compelled to take, in satisfaction of a legal debt, for every guinea of that debt, less than 5dwts. 8grs. of gold of standard fineness; and, as distinctly, that he should not be obliged to receive, as the *representative* of a guinea, or a guinea's worth, any article or thing which would not purchase or procure that quantity of gold.

Such was the state of our current coin before the year 1797.

The Bank of England, as every body knows, is a chartered Company of Merchants whose promissory notes, for more than a century, have constituted a very large proportion of the *circulating credit* of this country. From the institution of that Company up to the year 1797, there had been no interruption to the convertibility of their notes into *money;* nor any interference on the part of the State in any thing that concerned the issue or circulation of those notes.—This Company were simply the Bankers of the State, and, by a condition of their charter, its Agent for the payment of the dividends due to the publick creditor.

In 1797, in consequence of a demand upon the Bank for gold, continued for a time, and in a degree, altogether unusual, and arising from a combination of untoward circumstances and events, partly political, and partly commercial; the Directors of that institution felt themselves bound to state to the Government the unprecedented difficulties and embarrassments of their situation.

It is but justice to them to remark, that they did not resort to this measure, till they had tried, and found unavailing, all those means of checking the drain of cash, which had been effectual on former occasions. On these former occasions the Directors had uniformly found, that to lessen the amount of their issues of paper was the sure mode of checking and ultimately stopping the demand for gold. It was natural for them, as practical men, to follow their established course; but when they found that, instead of abating, the drain increased every day, in proportion as they contracted the amount of their paper, it was equally natural for them to mistrust their own experience.

In this state of affairs, the remedy which was applied to the difficulties of the Bank and of the Country, was an act for the temporary suspension of cash payments.

It is material to understand precisely the nature of the change which this act created in the state of our circulation; a change of the magnitude of which no man was more sensible than the persons whose duty it was to propose it to Parliament.

This act did not repeal any of the former regulations to which I have adverted, and which are the foundation of our money system. Neither did it make Bank notes a *legal tender*.—It did not alter in any respect the existing state of the law, either as to the weight or the fineness of the gold coin; or the act of the 39th of the King. It merely suspended other provisions of law (having in themselves no reference to our

circulation,

circulation, or *money* system) by which, in default of payment, the person and goods of a debtor are made liable for his debt. This liability it suspended, in cases where a *tender* shall have been made to the creditor of the amount of his claim in notes of the Bank of England.

If it had been proposed, at once, to make Bank notes a *legal tender*, and, in direct terms, to enact that every man should, thenceforward, be obliged to receive them as equivalent to the gold coin of the realm, without reference to the quantity of gold bullion which might be procured by a Bank note of any given *denomination;*—such a proposition would have excited universal alarm, and would have forcibly drawn the attention of the legislature and the publick to the real nature of our circulation, and to the possible consequences of such an innovation. But, certainly, nothing of the sort was in the contemplation of any man when the first suspension act was passed.—That it was then considered and proposed, as an expedient which would be but of short duration, the course of the proceedings in Parliament abundantly indicates.

Such being the original character of the measure, it is not extraordinary that, in that crisis, Parliament, without much hesitation, and without any suspicion of the ultimate possible consequences,

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sequences, should have afforded a temporary protection from arrest to a debtor, who should have made a tender of payment in Bank notes. But if, in the year 1797, it had been foreseen that this temporary expedient would be attempted to be converted into a system for an indefinite number of years; and that, under this system, in the year 1810, every creditor, publick or private, subject or alien, to whom the law, as it then stood, and as it now stands, had secured the payment of a pound weight of standard gold for every 46*l.* 14*s.* 6*d.* of his just demand, would be obliged to accept, in full satisfaction, about 10½ ounces, or not more than seventeen shillings in the pound; with a prospect of a still further reduction in every subsequent year:—it is impossible to conceive that the attention and feelings of Parliament would not have been alive to all the individual injustice, and ultimate publick calamities, incident to such a state of things; and that they would not have provided for the termination of the restriction, before it should have wrought so much mischief, and laid the foundation of so much confusion in all the dealings and transactions of the community.

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Whether the actual state of things be such as I have just described, is the question upon which the publick attention is now fixed :—and to which, I conceive, there can be but one answer. If the reader shall go along with me in the following statement, that answer will appear to him as obvious as it does to me.

1st. A pound, or twelve ounces of gold, by the law of this country, is divided into 44 guineas and a half, or 46*l.* 14*s.* 6*d.*

2dly. By this division, which is made at the publick expence, and without charge for coinage, nothing is added to the value of the gold; and nothing taken away from it.

3dly. A pound of gold, therefore, and 46*l.* 14*s.* 6*d.* being equivalent, being in fact the same thing under different names, any *circulating credit* which purports to represent 46*l.* 14*s.* 6*d.* ought, by the law of this country, to be exchangeable at will for a pound of gold.

4thly. No alteration has been made in this state of law except by the act of 1797.

5thly. The professed and intended operation of the act of 1797 was not to diminish the *quantity* of gold for which any specifick amount of *circulating credit* ought to be exchangeable, but merely to suspend for a time, the option of the exchange.

6thly. But the sum of 46*l.* 14*s.* 6*d.* in our present paper, will procure in exchange for gold, only 10¼ ounces of that metal:—A pound of gold is now exchangeable for 56*l.* in *paper currency.* Any commodity, therefore, which is equivalent to a pound of gold, is also equivalent to 56*l.* in paper.

It follows that the difference between 56*l.*, and 46*l.* 14*s.* 6*d.* or between 12 and 10¼ ounces of gold, arises from the *depreciation* of the paper, and is the measure of that depreciation, as well with respect to gold, the *universal equivalent*, as to every other commodity.

Those who differ from me in opinion must be prepared to deny some one of these facts, from which, if not disproved, the conclusion necessarily follows. They must either shew, that I have mis-stated the *permanent* laws of the realm which regulate our coinage, and determine our *legal tender;* or they must shew, that gold is not the basis of our money—that its value is not measured by its quantity—that the value of that quantity is varied by its conversion into coin. But these are propositions which no man who has ever looked at the subject will attempt to maintain.

Otherwise they must shew that the intention of the *temporary* law of 1797 was different from

from that which I have ascribed to it; and that it was intended, by that law, either to lower our standard, to alter our *legal tender*, or to leave us without any standard at all.—But even if they should be able to shew, that the intention of this *temporary law* was to make any one of those alterations, still, by the establishment of their proposition, they will not invalidate but confirm the conclusion which I have stated. They will only have established, by their own arguments, the fact of the depreciation, and will no otherwise have varied the question arising out of it, than by making it appear, that such depreciation of our currency was not the unforeseen consequence, but the premeditated result of an act of the Legislature.

Although these appear to be the only imaginable grounds on which any exception can be offered to my statement, they are such as will not be taken by any man who does justice to the character of the Legislature, or has any recollection of the circumstances under which it passed the act of 1797.

It would be monstrous to imagine that it could ever be in the contemplation and intention of either House of Parliament, that Bank notes, at their present, or at any less value, to which they might possibly be reduced, should be a

legal

legal tender. To entertain such an opinion would be to impute to Parliament a design to practise a deception, and to encourage a fraud. What would have been the consistency, what the integrity of a Legislature, which, leaving unrepealed and unmodified the regulations which take away the character of a *legal tender* from every guinea weighing less than 5 dwts. 8 grs. would give it to a Bank note, purporting to be a security for the same denomination, but the real value of which is, at this moment, 4 dwts. 14 grs. or, in other words, about three shillings less than the lightest guinea which is allowed to pass in payment?

If such be the effect of the Act of 1797;—let us see, by a comparison of that effect with the whole purport and tendency of all the antecedent laws, which regulate and govern our currency, what is the present legal state of that currency; and what the situation of the subjects of this realm, under the whole system as it now stands.

By law, a guinea which weighs less than 5 dwts. 8 grs. is no longer a guinea.—It is deprived of its quality of coin.—It can no longer be tendered as *money*.—But it may be sold for what it will fetch in the market as *bullion*, for the purpose of being melted down.

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By law, it is an offence punishable with severe penalties to melt a guinea weighing more than 5 dwts. 8 grs.; or to reduce it, by clipping, filing, or any other process, below that weight.

By law, a guinea of that weight cannot be exchanged for more than the sum of 21*s.* which sum in *paper currency* is worth at present 4 dwts. 14 grs. of gold.—To sell, or to buy guineas at a higher rate than 21*s.* each in Bank paper, is an offence highly punishable.

For this last offence a man has recently been tried and convicted.

If the guineas purchased by him had been light guineas, viz. guineas weighing upon an average 5 dwts. 7½ * grs. each, he might have bought and sold them without incurring any penalty.

The state of the law, therefore, is this.—The possessor of a *heavy* guinea, which is intrinsically worth about 24*s.* 6*d.* in Bank paper, who should exchange it for more than 21*s.* of that paper, would be liable to fine and imprisonment. —The more fortunate possessor of a *light* guinea is entitled by law to exchange it for what it will fetch, which would be about 24*s.* 3*d.*

* From the evidence of Mr. Merle, page 49 of the Appendix to the Report of the Bullion Committee, it appears that is the average weight of light guineas.

A *light*

A *light* guinea, therefore, cried down, no longer current, no longer a *legal tender*, is, at the present moment, more valuable than a guinea of *full weight*, in the proportion of 24*s*. 3*d*. to 21*s*.

The *light* guinea, by melting, is converted into 5 dwts. 7½ grs. of bullion.

The heavy guinea being, by law, incapable of being converted into bullion, or of being reduced, by a diminution of *quantity*, into the more valuable shape of a *light* guinea, is equivalent to 4 dwts. 14 grs. of gold.—The difference of value in favour of the light guinea is 17½ grains of gold.

This is the present state of our currency; and the operation of the laws by which it is regulated.

Is it possible to conceive that this is the state of things, which the Legislature, in passing the Act of 1797, had it in contemplation to produce? Is it one, which, having been produced unintentionally, does not require such an alteration as would bring back the currency of the country to an agreement with its antient legal standard?

For my own part, I confess that, if absolutely driven to the necessity of deciding between the alternative, of suffering the present state of things to continue, or of resorting at once to the stale and wretched expedient of either raising the denomination, or lowering the standard of our currency, in any fixed and limited proportion, I should not hesitate to prefer the latter. This expedient, I admit, though not unfrequently practised, in former and less-enlightened periods of the history of this and other nations, is now universally and justly reprobated and condemned, as too disgraceful in its principle, and too ruinous in its policy, to be resorted to, even by governments the most arbitrary in their internal administration, and the most destitute of more substantial resources.---Yet, let me ask any of those who would have been startled at such a proposal, what would be the real difference between a state of law, which, either leaving the guinea at its present weight and fineness, should raise its denomination to 24*s.* 6*d.*; or, leaving it at its present denomination, should lower its standard to 4 dwts. 14 grs.—and a state of law, which obliges every man to receive the latter *quantity* of gold as 21*s.*, or to give 24*s.* 6*d.* for the former?

One difference, indeed, would be this: that, the injury once done, the fraud once committed, the extent of the evil would be known and ascer-

ascertained. Prices at home, and abroad, once accommodated to the change in the value of our currency, all uncertainty, and consequent speculation upon a farther derangement, would cease. Creditors, annuitants, and all who possess incomes, fixed in their amount by a contract of any description, would be able to measure the extent of their loss. All future leases, and bargains for time, would be made with a reference to this definite alteration in the common measure of all exchangeable commodities. Salaries and wages of every description would be more speedily and more proportionably compensated for the change.—The existing evil, on the contrary, of which the present measure may be reckoned at about 15 per cent., is indefinite, uncertain, and fluctuating, though progressive in its growth. It has consequently a greater tendency to derange and unsettle all the transactions of society, and to depress the labouring classes, and all who derive their incomes from salary or wages of any description. It increases, at the same time, the foreign expenditure of Government, in proportion to the fall of the exchange; and its domestick expenses, in proportion to the increased price of all commodities at home. It adds, in the same proportion, to the amount of our annual loans and taxes. A saving, it is true, accrues to the State from paying the wages of valour, talent, industry, and labour, in a depreciated currency, and from the reduction which is thus made (really though not nominally) in the value of the dividend paid to the publick creditor. But it is equally true that these unfair and unintended savings to the State are more than counterbalanced by its increased expenditure:—whilst this increased expenditure, and the increased taxation necessarily consequent upon it, doubly aggravate the evil on those classes of the community at whose expense these savings are made, by taking from each a greater proportion of their already depreciated income, for the payment of all the other charges of the State.

The propositions which I have stated appear to me so clear and conclusive that I am almost ashamed of saying any thing more on this part of the question. But the doubt and confusion which prevail in the minds of many sensible persons, and the sophistry to which they have been induced to listen, from the want of clear and precise ideas on this subject, are quite extraordinary. There are those who reason as if

they

they had persuaded themselves, and who endeavour to persuade others, that a *Bank paper* is the *real* and *fixed measure* of all commodities; and that *gold* is only one of the articles, of which, in common with others, the value is to be ascertained by a reference to this *invariable standard* and *universal equivalent*, Bank paper. So widely extended is the error in this respect, that, however much in contradiction with some of their own principles, it pervades, more or less, nearly the whole of the evidence of the respectable merchants who were examined before the Bullion Committee.—For instance, in the examination of Mr. Chambers, (p. 102), a gentleman who deservedly enjoys the reputation of great intelligence and extensive information in the commercial world, we find the following evidence.

"At the Mint price of *standard* gold in this country, how much gold does a Bank-of-England note for one pound represent?—5 dwts. 3 gr."

"At the present market-price of 4*l.* 12*s.* per ounce, how much gold do you get for a Bank note of one pound?—4 dwts. 8 gr."

"Do you consider a Bank-of-England note for one pound, under these present circumstances, as exchangeable in gold for what it represents of that metal?—*I do not conceive gold* *to be a fairer standard for Bank-of-England notes than indigo or broad cloth.*"

Question repeated—"*If it represents twenty shillings of that metal at the coinage-price, it is not.*"

In these answers this leading doctrine is manfully and ingenuously asserted and maintained; and all who stand up for the undepreciated value of Bank paper, however disguised their language, must ultimately come to the same issue.

Mr. Chambers plainly avows, that "*He does not conceive gold to be a fairer standard for Bank-of-England notes than indigo or broad cloth*"—and that "*a one-pound note does* NOT *represent twenty shillings of that metal at the coinage price.*"

These answers, to my understanding at least, completely give up the whole of the case.

If "*gold be not a fairer standard for Bank-of-England notes than indigo or broad cloth,*" I could wish to learn what *is* the really fair standard?

If "*a one-pound note does not represent twenty shillings of that metal at the coinage price,*" what *does* it really represent?

Need I recall to any man's recollection the obvious, and, as I till lately imagined, undisputed grounds on which the precious metals have, not

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in this country only, and by our system of laws, but in all civilized countries, and in all ages of the world, been received, by the common consent of mankind, as the fittest standard for measuring the value of all other commodities; and employed as the universal equivalent for effecting their exchange?—That the precious metals are less bulky in proportion to their value—that they are accurately, easily, and almost infinitely divisible—that they are less subject to decay—less likely to fluctuate in their supply,—less liable to be counterfeited or adulterated,—more homogeneous and uniform in quality, than either *indigo*, or *broad cloth*, or any other known commodity?

Gold in this country (as silver at Hamburgh) is really and exclusively the fixed measure of the rising and falling value of all other things in reference to each other. The article itself which forms this standing measure, never can rise or fall in value with reference to this measure—that is, with reference to *itself*. A pound weight of gold never can be worth a pound and a quarter of gold; and being divided, in this country, into 44 & ½ pieces, called guineas, an ounce of this gold will always be worth $\frac{1}{12}$ of this sum, or 3*l*. 17*s*. 10½*d*. The truth of these propositions, which cannot, I conceive, be called in

 question,

question, would not be affected by any imaginable increase or diminution in the quantity of gold in the country. By such an increase or diminution, indeed, the value of all other things, (the quantity of those other things and the demand for them continuing the same,) would be increased or diminished in the same proportion, with reference to gold; but gold itself would still remain, just as much as before, the *fixed measure* of the rising and falling value of all other commodities, in reference to each other.

A Bank note is not a *commodity:* it is only an engagement for the payment of a certain specified quantity of *money.* It cannot vary its value in exchange for any commodity, except in reference to the general increase or diminution of the value of such commodity in gold, and in the precise proportion of that increase or diminution. Gold, therefore, is the test by which the value of Bank notes must be tried; and if a one-pound note, being an engagement to pay 5 dwts. 3 gr. of gold, is worth in the market only 4 dwts. 8 gr. as stated by Mr. Chambers in his evidence, it is equally worth only 4 dwts. 8 gr. in exchange for any other commodity.

It follows from this;—that a general increase of prices in all the ordinary commodities of any country is not, in itself, an indication of the de-

preciation

preciation of its currency.—Such an effect may arise from other causes; but could not fail to be produced by an increase of the precious metals. But any considerable or durable increase of price in the precious metal which forms the standard of that currency cannot be ascribed to any thing but the depreciation of such currency; even if the price of all other commodities should be falling at the same time. This would happen in any country if, at the same period, when its currency is depreciated, in any given proportion, the supply of the precious metals were diminished, or the demand for them increased, in a greater proportion.

The currency of a country may be depreciated from two different causes.

1st. By the standard coin containing a less quantity of the precious metal which forms that standard, than it is *certified* by law to contain.

2dly. By an excess in the amount of that currency.

A great depreciation, arising from the first cause, took place, in this country, in King WILLIAM's time, when the quantity of precious metal actually contained in our coin was, upon an average, nearly 30 per cent less than that coin was *certified* to contain. A smaller depreciation, arising from the same cause, was felt

early

early in the present Reign, when the quantity of gold contained in our guineas was reduced by long wear, or otherwise, from 4 to 5 per cent. below the quantity they were *certified* to contain. To this evil, within these limits, it was then thought necessary to apply a remedy. That remedy was the general recoinage of our gold in 1773.

Since that period the first cause of depreciation has ceased to operate in this country.

The existing depreciation, therefore, must be occasioned by excess. Depreciation from excess, if the coin of a country be maintained at its standard, cannot take place to any amount, or continue for any length of time, unless the currency of such a country consists, partly of paper, and partly of the precious metals: except indeed in the extreme case of that currency consisting wholly of paper, without any reference to its value in coin.

If the circulation of any country were performed exclusively by gold, for instance, and the supply of that metal in such a country were, from any imaginable cause, doubled, whilst the quantity of gold, and the demand for it should continue the same in all other parts of the world; the price of gold in such a country would be diminished. This diminution of the

price

price of gold would appear in the proportionate rise of all commodities: but gold being so much cheaper in the country in which its quantity had been thus increased, it would be bought by other countries, and exported from that country, till its price was restored again to a level in the different parts of the world.

If the circulation of a country were supplied, partly by gold and partly by paper, and the amount of that circulation were doubled by an augmentation of that paper, the effect upon prices at home would be the same as in the former case. But gold not becoming by this augmentation of currency more abundant, in such a country, than in other parts of the world—as a *commodity*, its relative value to other commodities would remain unaltered;—as a *commodity* also, its price would rise in the same proportion as that of other commodities, although, in the state of *coin*, of which the *denomination* is fixed by law, it could only pass current according to that *denomination*.

When paper is thus augmented in any country, the exportation of the gold coin, therefore, will take place; not because gold, as a *commodity*, is become more abundant and less valuable with reference to other commodities in such a country; but, from the circumstance of its value

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as *currency* remaining the same, while its price in that currency is increased in common with the prices of all other commodities. So far as such exportation takes place, the diminution which it effects in the total amount of the currency, has a tendency to support the value of the remainder, just as much, and for the same reason, as if in the case of the circulation consisting wholly of gold, first an augmentation, and then an exportation to the same amount, had taken place, according to the first supposition.

An excess of paper has, in the first instance, the same effect as an excess of the precious metals, to the same amount, would have, in any particular country. But it does not admit of the same relief: it cannot *right* itself by exportation.

The currency of a country, then, is depreciated,

1st, If its standard coin contains less of gold or silver than it is *certified* to contain. In that case, the paper, as *representing* that coin, is also depreciated, and precisely in the same degree as the coin:

2dly, If the paper is exchangeable for less of the coin than it *represents*; that coin containing the quantity of gold or silver *certified* by law. In that case, the coin, though undiminished in value,

value, must, as part of the currency, partake of the depreciation of the whole.

Consequently, if the coin be itself, *as coin*, depreciated,—the paper which circulates with it cannot be otherwise than depreciated to the same degree. But if the coin be undepreciated as *coin*, and there be, notwithstanding, a depreciation of the general currency, the cause of that depreciation can only be in the paper; and that cause can be no other than the excess in which that paper is issued.

I shall now proceed to state some of the assertions, and to examine some of the arguments and explanations of those who maintain the sound and undepreciated state of our present currency.

The first and principal of these arguments and assertions is one which, if it could be established, would at once preclude all further discussion. It is this—"That there can be no "excess of Bank of England paper in circulation, "so long as it is issued only in the discount of "bills of undoubted solidity, founded in real mer-"cantile transactions, and payable at fixed and "not distant dates (60 or 90 days at the utmost), or

" or upon loan to government for publick securi-" ties." The limits of the latter description of advances are not quite so accurately defined, but the principal criterion seems to be " government " not being able to dispose of such securities to " better advantage in the open market."*

Now admitting, what the Bank itself however states to be impossible, that any extent of experience, or any degree of caution, can be sufficient to guard them against ever discounting bills which do not fully answer the above description—it must, I think, be matter of astonishment to any man whose attention has been at all turned to these subjects, that, in the new

* Vide examination of Mr. Pearse, the present Governor of the Bank. Bullion Report, page 18, Appendix.

It is now many years since I had occasion to look into the Treatise of the famous Mr. LAW;—and from not having it at hand, I have no opportunity of referring to it at this moment.—But I have a confident recollection that there exists a very strong resemblance between the principles on which his celebrated SCHEME was founded, and this leading doctrine of the Bank.—I mention this not invidiously, but by way of caution to those *practical* men, who see nothing in the Report of the Bullion Committee, but the production of *wild theorists,* and *speculative politicians.* I should be glad to know under what class of *theorists,* and in what order of *politicians,* they would have ranged any man, who, before the year 1797, should have ventured to recommend, as a safe system, the principles by which the Bank now professes to regulate its practice?

state

state in which the Bank of England has been placed since the suspension of cash payments, they could rely upon this mode of regulating their advances, as a perfect, steady, uniform and adequate check against any excess in the issues of their notes.

The confidence with which this doctrine was stated and maintained by the Governor and Deputy-Governor of the Bank, as well as by several eminent merchants, (not in the Bank direction,) before the Bullion Committee, is a strong proof, not only how much great corporate establishments are wedded to an existing system, and long established rules of action, however inapplicable to a new state of things; but how slow and reluctant, in such a state of things, individuals, otherwise of observing minds and excellent understandings, are, to call in question and examine the truth of early impressions, adopted upon authority, and followed from usage. This tardiness and reluctance are naturally increased, when interest is manifestly on the side of the existing system.

The Directors of the Bank, governing themselves by the rule above-mentioned, had continued for a century to issue their notes, without those issues having ever led to an excess of paper circulation, at least of any continuance. But then,

then, during the whole of that century, their paper was convertible into cash at the option of the holder. The security against excess was not in their rule, but in this corrective.

Their profits, as a Bank, depending on the amount of their issues, it was their interest, at all times, to make those issues as large as possible: in this, the publick had a sufficient security that the supply of paper should not be less than the demand. But, on the other hand, it was the obvious and plain interest of the Bank to guard itself against direct and positive loss: and in this the publick had another, and not less adequate, security, that those issues should not be carried to excess. The tendency and result of such excess, if continued, for any time, would infallibly have been the rise of the market price of gold above the Mint price; and the consequent return of such excess of paper to the Bank in demand for guineas. This demand would have imposed upon the Directors the necessity of purchasing and coining gold at a loss; until, by a diminution of their notes, they should have restored their value to a level with the standard of money.

By the conflicting action of these opposite interests, the currency was kept at its proper amount, and in its regular course. But one of these interests having ceased to operate, it is as vain to expect, that the uncontrouled action of the other should continue to produce precisely the same effect, as it would be, in mechanics, to expect that a body impelled by two powers, acting in different directions, would continue in the same line of motion, if one of those powers were withdrawn.

The circumstance of the Bank confining its discounts to "bills of undoubted solidity, and founded in real mercantile transactions," has no connexion whatever with the question of sufficiency or excess in the amount of their notes in circulation. The "reality of the transaction," in which the bill originates, and the "solidity" of the holder, who, by the deposit of such a bill, obtains an advance of notes, are prudent considerations with the Bank, in their character of a mercantile company; but they evidently afford no security to the publick, that bills, though uniting both these qualities, may not be discounted to excess.

The shortness of the date of any such bill, "60 or at most 90 days date," is another prudent banking precaution: and so long as the currency of this country continued in its sound and natural state, this regulation may, indeed, have

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been fairly considered as forming a part of the security of the publick against any durable excess of paper. It gave the Bank a power, in the case of a drain of guineas, to diminish expeditiously the amount of their issues by contracting their discounts; to shorten the duration of the run upon them; and to restore the value of their paper without any large sacrifice of their gold.

Now, however, that they cannot be assailed with any such indication of excess—now, that they have every motive for enlarging their discounts, and no inconvenience to apprehend from such an enlargement, this regulation is only of consequence to themselves, as bankers, duly careful of their own interest, in selecting for discount the best and safest bills; but it is altogether without avail for protecting the publick against the evils of a permanent excess in the circulation of their notes.

The present Governor of the Bank (for whom as a personal friend I have the most sincere respect) having, in his evidence before the Bullion Committee, stated that * "*in his view of the restriction on cash payments, no positive inconvenience would be likely to result from its being*

* Page 112.

made

made a permanent measure,"* it may appear to him, perhaps, rather extraordinary, that I should recur to the aid of his arguments, and to the weight of his authority, in support and illustration of the proposition which I have now stated, namely—that the security to the publick against any excess in the circulation of Bank paper was

* In a subsequent examination this opinion was explained by Mr. PEARSE, in the following manner.

" I have already stated that I am not aware of any positive inconvenience resulting from the present operation of the Restriction Bill, or likely to result from its being rendered permanent, except as far as regards an expectation on the part of the publick that it will be removed; but this circumstance is, in my opinion, essential, and cannot be kept out of view in any consideration of the subject. Whether it would be advisable to secure the publick against a liability to the recurrence of the inconveniences that led to the Restriction Bill, by sacrificing their feelings on this point, and absolutely removing all expectation of its being only a temporary measure, appears to me to be entirely a political question, on which I do not conceive myself qualified to give an opinion; but I may venture to observe, that publick credit and publick opinion always go hand in hand, and that the one is invariably influenced by the other."

APPENDIX, page 120.

It is therefore clear that, abstractedly of " this expectation on the part of the publick," the present Governor is of opinion, that " no positive inconvenience would be likely to result from " the restriction being rendered permanent."

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the certainty of such excess being returned upon them for gold; and that this is the *only* check by which the amount of their issues can be permanently kept within its proper level.

In his evidence,* adverting to the possibility of an excessive issue of paper by the country banks, he says—

"*This excess (of country paper), in my opi-*
"*nion, would no sooner exist in any material*
"*degree, than it would be corrected by its own*
"*operation, for the holders of such paper would*
"*immediately return it to the issuers, when they*
"FOUND THAT, *in* CONSEQUENCE OF THE OVER
"ISSUE, *its value was reduced, or likely to be*
"*reduced below* PAR: *thus, though the balance*
"*might be slightly and transiently disturbed, no*
"*considerable or permanent over issue could pos-*
"*sibly take place.*"

Now what is the state of a country bank? It will not be denied that it has the same interest, and the same tendency, as the Bank of England, to make its issues as large as possible. But then a country bank, from its being liable, at all times, to pay its notes in those of the Bank of England, at the option of the holder, is placed precisely in the same situation, by

* Report of the Bullion Committee, page 127, Appendix.

this

this check upon the amount of its issues, as the Bank of England itself was, by the necessity of paying in guineas, before the restriction. If in any particular district of the kingdom, the circulation of which is supplied by country paper, an excess were to exist as compared with the circulation of the metropolis, which is exclusively supplied by Bank notes, the holders of such paper would immediately return it to the issuers, and would demand Bank-of-England paper, or, what is, for this purpose, the same thing in effect, bills upon London.

Whilst near 800 country banks, rivals of the Bank of England, and of each other, are exerting every endeavour to put forth their notes, what is it but the check created by this power in every holder of their paper to demand Bank notes, or bills upon London, that prevents any local or partial excess, and keeps the circulation of every district in the kingdom upon a PAR with that of the metropolis? Certainly not the description of securities on which the country banks make their advances: for, in this respect, they (at least many of them) are less prudent than the Bank of England, and do not confine themselves to "*good bills of exchange,* "*founded on real mercantile transactions, and* "*payable at short and fixed dates.*" Yet it is

 admitted

admitted that they cannot make, or permanently maintain in circulation, any over-issues of their paper. On this point there is no difference of opinion in the evidence taken before the Bullion Committee.* Indeed it cannot be disputed, so long as the country paper is interchangeable at PAR with that of the Bank.

Again, what was it, before the restriction act, but the check created by the power in the holders of Bank paper to demand gold for it from the issuers, which prevented any material or durable excess of Bank paper? This check was constantly ready to be applied, if, "*in consequence of an over issue, the value of Bank notes was reduced or likely to be reduced below* PAR," either in reference to the price of bullion, either here, or in the other parts of Europe; the circulation of the Bank of England being, in this respect, to that of Europe, what the circulation

* After the conclusive evidence of the present Governor of the Bank, and of the other witnesses who were examined before the Bullion Committee on this subject, I have been rather surprised to find the proprietors of Bank stock at their late meeting (as far as the sense of that meeting can be collected from the language of their learned orator) disposed to contrast the sparing amount of their *own* notes with the profuse emission of paper by the *country banks;* and to charge the *latter* exclusively with any excess in the amount of our circulation.

of

of a country bank is now to that of the Bank of England.

Thus, as it is most correctly expressed in the words of the Governor of the Bank, "*though* "*the balance might be slightly and transiently* "*disturbed, no considerable or permanent over* "*issue could possibly take place.*"

The circulation of country bank paper being, therefore, in exact proportion to that of the Bank of England, it follows, that, in whatever degree the issues of the latter shall be excessive, the former must partake of such excess; and, consequently, that no regulation, affecting or restraining country banks, could be of the smallest avail towards diminishing the total amount of the paper circulation of this country, so long as the Bank of England shall continue to act upon its present system. If, in any one district, or in all the districts, where country paper now circulates, one half of it were withdrawn or put down, its place would be supplied by some other paper. Otherwise, the proportion between the circulation of the metropolis and that of the districts so affected would be destroyed. The result, therefore, of any intervention of the legislature for this purpose, beside being highly objectionable as an interference with the rights of individuals and of private

 property,

property, would be, only to add several millions more, and principally in small notes, to the amount of issues of the Bank of England; leaving the present evil exactly as it is:—a change which would open a wide door to forgery, and be attended with many other publick disadvantages.

Whether security should be required from country bankers, before they are licensed to issue paper, is a subject which it would be foreign to my purpose to discuss. Such security, in a few instances perhaps, might improve the degree of credit which they might have a right to expect with the publick. But this subject has nothing to do with the present question; which is simply,—whether there be an excess of paper now in circulation, and from what causes arising; and not—what may be the degree of confidence to which the issuers of any such paper may be respectively entitled? The depreciation occasioned by such an excess would be just the same, if every country bank were notoriously as solid and as rich as the Bank of England.*

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* This is a part of the subject which it is material should be well understood; because many persons, witnessing the great multiplication of country banks within these two last

years,

The explanations which have been offered by those who have endeavoured to shew that the high price of gold in England is not connected with any excess in the issue of Bank paper, are, 1st. That the immediate and operative cause is a great scarcity of gold, and a consequent demand for it, on the continent. And, 2dly, That speculation in the purchase of it in this country has been carried, and is still going on, to a very great extent, in consequence of the course of exchange with the continent having been for the last two years, and still continuing, so much against this country.

years, are disposed, at first view, to think that in them is the root of the evil.—Let the parent stock be restored to its natural, healthy, and sound state, and the country will have nothing to apprehend from these ramifications of credit and circulation. No special interference with them would, in my opinion, be requisite or beneficial.

The Report of the Bullion Committee has been the subject of much artful misrepresentation; sometimes ascribing to the members of that Committee a *wish* to put an end to paper credit altogether; sometimes an *opinion* that it ought to be reduced to the same amount as in 1797—Nothing like such a *wish*, or such an *opinion*, can be collected from the Report—On the contrary, it speaks in the strongest terms of the advantages of an extensive circulating credit, and expressly states, that any increase in its numerical amount is, of itself, no proof whatever of its being in excess.

In

In these explanations every thing is assumed. First, it is assumed that gold is very dear on the continent.—Dear, in exchange for what? For the gold coin of the continent? Such an assertion would be ridiculous.—Dear, in exchange for any depreciated paper? This is very probable in several parts of the continent, but is surely not the criterion to which we shall be referred.—Dear, in exchange for all other commodities? Is this a fact? Where is the evidence of it? Are cloth, corn, iron, or any other leading articles, *twenty per cent.* cheaper on the continent, than they were, if paid for in gold? Certainly not. And if they were so on the continent, has not the drain lasted long enough to bring matters to a level, and produce the same effect in this country?—Has the price of commodities, in this country, fallen within these two years? Is not the contrary notoriously the fact?

But it may be said, that we have Bank notes as a substitute for gold, and that it is by an abundant supply of them that prices at home are raised and improved. Be it so.—In proportion as commodities are *dear* in Bank notes, Bank notes are *cheap* in respect to commodities. Gold, we are told, is scarce, and, therefore, must be *dear*, whether measured in those same commodities, or in any thing else. What is this argument,

ment, on the part of those who deny the depreciation of Bank notes, but to tell us, in the same breath,—that gold is *dear*—that Bank notes are *cheap*—but that Bank notes are of the same value as gold?

Nothing appears to me to indicate that the value of gold, in reference to ordinary commodities, has increased in the general market of EUROPE; that increase must have been confined within very narrow limits.—The annual produce of the gold mines, it is true, appears not to have been so large, during the last half century, as at some former periods; but the supply does not seem to have suffered any diminution of late years.

The relative value of gold to silver may have been, in some trifling degree, increased. The quantity of silver lately imported from America, has been unusually large; while the demand from the East Indies and China has altogether ceased: nay, I am informed that a large supply of dollars was imported from the latter country, by the fleet recently arrived from *Canton*. Every presumption, therefore, is, that the value of silver continues progressively, though slowly, to decrease in Europe.

This alteration in the relative value of the two precious metals, may render it necessary, hereafter

after perhaps, to change the proportion which they now bear to each other in our Mint regulations.

In FRANCE, where the currency is chiefly silver, an alteration appears to have been recently made in the gold coin, to the effect of raising its proportion to that of silver, from 15 1/5, to about 15 1/2. According to Mr. GREFULHE's evidence, this slight alteration appears, very nearly, to have put an end to the premium which before existed on the gold coin. In ENGLAND the present proportion of our Mint is about 15 1/5 to one. If, at any future period, it should be thought necessary to raise that proportion, the alteration would perhaps be best effected by lowering, in whatever degree it might be necessary, the standard price of silver, so as to leave that of gold, which is our currency and *legal tender*, always fixed and invariable.*

It

* It was once my intention, in the course of this discussion, to have made some observations on the state of our silver coin, and the many serious inconveniences which are brought upon the community, (particularly upon the lower classes) from its scarcity, as well as from its debasement; and also to have stated my ideas on the subject of a new silver coinage. But a very little reflexion will satisfy every reader that, in the present state of things, and so long as we have no *fixed standard* of value for our currency, it would be absurd, and almost impracticable,

It is not, however, to a diminished produce from the mines, but to a greatly increased demand occasioned by the wants of the armies, or to the practice of hoarding, or to both, that the alleged high price of gold on the continent is imputed. The change in the proportion of gold to silver, by the recent alteration in France before stated, appears to have been rather less than 2 per cent. Now, for many years before this alteration, and consequently before the high price of gold in England, there was at *Paris* a premium or *agio* of about 1½ per cent. in favour of gold. This *agio* is now stated to be reduced to ¼ at the utmost—Consequently all the rise that can possibly be ascribed to the temporary causes to which the present demand for gold is attributed cannot exceed ¾ per cent.

It is true that, both at Hamburgh and Amsterdam, there appear to have been occasional fluctuations to a greater amount, and that, for

impracticable, to send into circulation any new coinage. The present evil, therefore, admits of no remedy; but will rather increase, so long as the depreciation of our currency is suffered to continue: when that shall cease, it will be time enough to consider what should be done in respect to our silver coin. The want of it is an evil, of no trifling moment in our money system, but secondary, as well in point of importance, as in order of time, to the question now under consideration.

certain short periods, a larger premium is said to have been given, sometimes for gold in bars, and sometimes for some particular coin; though very far within the limits of the difference between the Mint and market price in London. This must have been owing to some particular circumstance, having a temporary effect on those markets: otherwise the *agio* at Paris would soon have been affected in the same degree; which does not appear to have been the case.

But facts are not the only difficulty in the way of this explanation; it furnishes abundant argument to destroy itself. It will scarcely be contended by any one, that the commerce, the manufactures, or the internal prosperity of the continent, have so rapidly increased, of late years, as to require any great and rapid increase in the amount of its circulating medium. If, from any peculiar and temporary circumstances, a disposition exists to prefer gold to silver, as that medium, it cannot well be denied, that, in proportion as silver is discarded (especially whilst the supply from AMERICA is more than usually abundant, and the demand from ASIA stopped), *silver* at least ought to be particularly *cheap*, in exchange for undepreciated Bank notes, of the full standard value of the coin of this realm. Now is this the case?

Gold,

Gold, we know, has risen so much above this newly established paper standard as to be worth 4*l.* 12*s.* per ounce in that paper. Has not the price of silver risen in nearly the same proportion? The present market price of silver of standard fineness is about 5*s.* 10½*d.* per ounce; which ounce, by the Mint regulation, is divided into 5*s.* 2*d.* only. If the relative value of gold to that of silver be somewhat increased, as there is reason to believe; if it should, in consequence, be thought expedient to vary the proportion of our Mint from 15 ⅕ to 15 ½, the depreciation of our paper, measured in silver, would then be very nearly, if not altogether, as great, as it now is, if measured in gold.

Let us now briefly inquire what aid the question of our foreign exchange can afford, in explanation of the difference between the standard of our coin, and the actual value of our currency.

Respecting the nature of exchange, and what is understood to be the *real* PAR between two countries, there is no point in dispute. The *real* PAR, it is admitted, on all sides, consists in the *equality of either of the precious metals mea-*

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sured in the respective currencies of the two countries. So far, all the merchants who were called before the Bullion Committee concur with the statement of the Report. In substance, they are likewise all agreed with the Report, (however much the admission is at variance with some of their own arguments) that the *real* depression of the exchange can never exceed, for any length of time, the expense of transporting bullion from the debtor to the creditor country. Nothing can more strongly confirm the truth of this last position, than the evidence and calculations furnished to the Committee by Messrs. *Grefulhe* and *Goldsmid;* which prove that, at the period of the present year, when the *quoted* rates of exchange with the Continent were most unfavourable, the *real* fall did not materially, if at all, exceed this amount: consequently the difference between the loss on the *real* and the *nominal* rates of those exchanges was to be ascribed to some other cause.

Two very erroneous opinions on this subject are most generally received in the theory of the mercantile world.

1st. That, whenever the exchange is against any country, the natural and general course of

balancing

balancing the account is by a payment in bullion.

2dly. That the balance of these payments in favour of any country is finally to be measured by what is called the *Balance of Trade;* or the excess of exports above imports.

These two positions lead to a third, which is the fashionable doctrine of the day; namely,

3dly. That the *Balance of Payments* may, for a time, be very much against a country, although the *Balance of Trade* is, at the same time, very much in its favour: that is, that a country, buying for ready money, and selling at long credits, may be exporting a great quantity of its bullion; although a much greater quantity is actually due to it, and will be forthcoming in the adjustment of its accounts, when these credits come to maturity.

Such is affirmed to be the present situation of this country, and the true explanation of the very depressed state of our foreign exchanges.

The first of these positions is so little conformable to truth, and to the real course of business between nations, that there is perhaps no one article of general consumption and demand, which forms the foundation of so few operations of trade between the different countries of Europe as bullion: and that the operations, which do take place, originate almost entirely in the fresh supplies which are yearly poured in from the mines of the New World; and are chiefly confined to the distribution of those supplies through the different parts of Europe. If this supply were to cease altogether, the dealings in gold and silver, as objects of foreign trade, would be very few, and those of short duration.

To establish and illustrate this view of the subject, let us suppose that, in consequence of purchases made by England on the Continent, greater than had been made by the Continent here, or in payment of any debt, service, or demand, bills upon England are offered for sale in the markets of the Continent; and that the supply of such bills exceeds the demand. Their price, like that of any other article, under similar circumstances, must fall; and the exchange, which we will suppose to have been before at PAR, will of course turn against England: but to this fall there are limits in the competition of the buyers. This competition commences as soon as those bills are offered at such a price as enables a buyer to use the credit which he obtains upon England by the purchase of such a bill, either as the means of paying for any goods for which he has already contracted; or of buying others, so as to afford him the prospect of a profitable employment for the capital engaged in the transaction. Much of the skill of a general merchant consists in these calculations; and his intelligence is aided by a comparison of *prices current;* as well as by the peculiar means of information which he may be able to procure from any other sources, respecting the state of supply and demand in the different markets of the world. Now, of all the articles of trade, bullion is the least likely to offer this temptation to the purchaser of a bill of exchange; because its price is more steady and uniform, and always nearer to a level (from which it never long departs,) than that of any other commodity, in the different markets of Europe. In proportion as these bills are bought at a greater difference below PAR, is any holder of them enabled to buy goods cheaper in England. For instance, if, for 100 ounces of gold at Hamburgh, of any given weight and fineness, he obtain an assignment for 105 ounces in London; it is clear that this is equal to a premium of five per cent. on the purchase of such goods. An unfavourable course of exchange consequently, operates as a bounty upon all exports, and as a tax upon all imports. This bounty and this tax necessarily excite a competition to export, and a dimia diminished disposition to import; by the joint effect of which, in all ordinary cases, *without any transmission of bullion*, the *real* exchange is brought back to its PAR, and probably rises above it. In its turn, this rise is checked and counteracted by the operation of the same causes; and thus, like the mariner's compass, the exchange is in a state of frequent variation; but of variation confined within certain natural limits. If indeed a fall in the *real* exchange exceeds these limits, which are confined to *the actual expense of transmitting bullion from the debtor to the creditor country*, particular individuals will export bullion. They will be induced to do so by a profit much smaller than would tempt them to a speculation in any other merchandize, because such profit, however small, is in this case quick and certain. But, this exportation of bullion, in the ordinary transactions of trade, instead of being, as is supposed, the habitual mode of adjusting accounts between one country and another, is of rare occurrence, and, when it occurs, can never continue long, because the transmission of a comparatively small quantity of that metal which forms the standard and currency of a country, not only operates, like that of any other commodity, to diminish in so much the balance of debt to other countries; but likewise to force the exportation, and to diminish the importation of all other goods; and thus more rapidly to improve the exchange, than the export of any other commodity to the same amount. As the exchange improves, the exportation of bullion of course ceases.

The principle and its application are the same, whether we contemplate only one transaction, or embrace the aggregate result of all the different transactions in trade, and of all subsidies and government expenditure abroad, on the one hand, and payments to be made here, on the other, as well as all other causes and speculations influencing the bill market on both sides of the water.

The circumstances of the exchange between Ireland and Great Britain in the years 1803 and 1804, as stated in the very able Report of the Committee appointed by the House of Commons, in the latter of these years, "*to enquire into the state of Ireland, as to its circulating paper, its specie, and its current coin, and the exchange between that part of the United Kingdom and Great Britain*," afford a striking illustration of the doctrine which I have endeavoured to explain, and of the fallacy of that theory, which refers all the variations of exchange to the *balance of payments* and the *balance of trade*.

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The commercial intercourse between Great Britain and Ireland is exposed to no political interruption;—the trade between them in bullion is free;—the standard of both countries is the same;—the transfer of coin from one to the other is liable to no interruption or restraint;—the actual expense of transporting it was proved before that Committee not to exceed one *per cent.*; —it was then, as it is now admitted, that the fluctuations in the exchange between any two countries could not materially or for any length of time exceed this actual expense: and although the exchange had been for several months from 8 to 10 *per cent.* against Dublin;—although it was proved that what is called the *balance of trade* was in favour of Ireland;—although there was no reason to believe that there was any transmission of guineas from Ireland to Great Britain;—although the exchange between London and the north of Ireland, (Belfast), in which no paper currency existed, instead of being from 8 to 10 *per cent.* against, was, during the same months, about one *per cent.* in favour of Ireland*;—although this fact alone incontrover-

* In the middle of February, 1804, for instance, the exchange of Dublin upon London was $17\frac{1}{2}$—that of Belfast upon London $7\frac{3}{4}$.

Vide Appendix to the Report of 1804, pages 136 and 155.

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tibly proved that the *real* exchange was in favour of Ireland, and consequently that there could be no exportation of gold from it;—although it was a necessary consequence of this state of things, that the exchange between Dublin and Belfast was from 9 to 11 *per cent.* in favour of the latter; (just as in the last century, and from a similar cause, it had been from 4 to 6 *per cent.* in favour of London and Newcastle against Edinburgh;)—although it was impossible for the merchants and Bank Directors, examined before that Committee, to controvert these facts, or to reconcile them with their own doctrines and admissions;—still nearly all of them professed to be thoroughly convinced that *there could be no excess or depreciation of Bank paper* in Ireland. They persisted in ascribing the fall of the exchange altogether to the *balance of payments* and the *balance of trade;* and rejected all explanation which connected that fall with the depreciation of Irish paper.

Now, if under these circumstances Irish paper was not depreciated in 1804, with reference to the currency of other countries, it follows, that English paper was then, with reference to the same criterion, at from 8 to 10 per cent. *premium.* Does any man believe *this* to have been the case? If there be any man who does, he,

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and he alone, has a right to maintain that our paper (having in some way or other, since got rid of that premium) is now at PAR.

Soon after the Report of 1804, the amount of issues of the Bank of Ireland being reduced, the exchange with Dublin was gradually improved; and the Directors of the circulation of that country have since kept the depreciation of their paper generally upon a level with that of English paper.

What the currency of Ireland was in 1804, as compared with that of Great Britain, the currency of the United Kingdom now is, with reference to that of Hambourg or Amsterdam. The arguments and preconceived theories of those who stood up for the undiminished value of the one, were the same as are now resorted to by those who deny the depreciation of the other.

If the reader should concur with me in the few observations which I have ventured to submit to his judgement, he will now be able to form a tolerably just estimate of what is called the *Balance of Trade.*

If one country have a claim upon another, the holders of that claim have but two ways of using it: either they will leave the amount in the debtor country, as so much capital to be vested there at interest, or employed in such other manner as they may think proper;—or they will withdraw it. The latter is so much the more usual course, that, in the magnitude of the operations of this country at least, we may, except perhaps from very temporary circumstances, consider the former as having little or no influence on the exchange. Now, no claim can arise from one country upon another (except in the way of tribute or exaction) which is not founded in some *equivalent*.

An exchange of *equivalents* is the foundation of all *commerce*, from the simple barter of the untutored Indian, to the most complicated and extensive operations of the London merchant. No nation, therefore, can permanently export to a greater value than it imports, as far as exports and imports are created by a *commercial intercourse* with other nations. But a considerable part of our imports are not derived from *commerce*. From our colonies, a great proportion of them is in the nature of rent remitted in kind, to the owners of colonial estates who reside in England; to which are to be added, as farther exceptions, the produce of our fisheries; and of any portion of our territorial revenue in

India

India, or of the savings of public servants civil and military, in that quarter, sent home in goods. If these returns were abated from the sum total of our imports, the annual *Balance of Trade* in our favour, as stated to Parliament, would appear still more considerable. Yet, taken for any length of years, no part of this balance is created by our commerce. For every thing that we receive, through that channel, an *equivalent*, and no more, is returned. All that we send out, above the amount which is thus returned, is drawn from us by the remittance of the profits of foreign capital vested in this country, or is to be accounted for under the several heads of our foreign expenditure. A great balance of trade, therefore, instead of being the natural criterion of increasing wealth at home, is only a certain indication of a great expenditure abroad.—It is an indication of wealth, only in the same way as any other great expenditure, by proving the power and ability of the country to sustain it.

Whilst it is true that the vaunted *Balance of Trade*, or the excess of our exports above our imports, is not, as it has been represented, and is generally believed, the *measure* and the *realization* of the profit derived to us from our foreign trade; but is, in fact, only capital sent out of the country for which no capital is re-

turned

turned to it; it is by no means to be inferred that this expenditure is without equivalent, though without commercial return: still less that it is not beneficial to the country, or that the sum so expended could be employed in any manner equally conducive to its interests. Nor is it to be inferred that the not incurring this expenditure abroad would be a clear saving, or, perhaps, any saving at all.

It must be obvious to every one, that the two great heads of this expenditure are our armies and fleets abroad; and subsidies to foreign states. Our soldiers, our sailors, the publick servants of every description, so far as they are furnished abroad with whatever is necessary for themselves, or for the operations in which they are engaged, give, to those by whom they are supplied, assignments upon the produce of this country. These assignments, like any other bills of exchange, are converted into whatever articles the ultimate holders of them find it most to their advantage to export from this country. If this head of our foreign expenditure, therefore, were reduced by the recall of all our publick servants, civil, naval, or military, now maintained abroad; still if the same number were to be maintained at home, the real saving to the country would not bear any considerable

proportion

proportion to the reduction in our foreign expenditure. The *Balance of Trade* would be diminished in proportion to that reduction; but such diminution would obviously be no proof whatever of the declining prosperity of the country.

A subsidy to a foreign state may or may not be politically wise; but, in the view which is here in question, it must be considered as being paid for a service to be performed, which is held to be *equivalent* to the expense incurred. The withholding such a subsidy would, in many cases, be obviously the very reverse of economy; but it seems quite as obvious that, in whatever mode it be remitted, it must augment to that amount what is called the *Balance of Trade* in our favour.

It may, perhaps, be asked, if commerce is nothing more than an exchange of *equivalents*, and the *Balance of Trade*, taken for any length of time, only the measure of our foreign expenditure, in what way is a country enriched by trade? To those who may be disposed to ask this question, I would, in the first place, reply by putting one or two others. What is the *internal* trade of any country, that is, the trade carried on between different districts of the same state within the limits of its territory, but an exchange of *equivalents?* Is this a trade by which the one gains and the other loses? by which *Yorkshire* is enriched at the expense of *Kent?* Then, if our internal trade be an exchange of *equivalents*, what is the distinction, in this respect, between it and foreign trade? What takes away this character from the latter?—and what, after all, is the latter?

To the question, how then are we enriched by trade? the answer appears to me as obvious, as it is consistent with this doctrine.

The mind and faculties of man are constantly engaged in pursuit of his own happiness, and in multiplying the means of subsistence, comfort, and enjoyment. Trade, which effects the exchange of a part of the productions of the soil, industry, and talent of any one country, against those of the soil, industry, and talent of all other countries, is the great instrument of multiplying these means. By the aid of this exchange, not only those natural productions, which Providence has distributed in abundance in one portion of the globe, and refused to some other, are rendered common to all; but the soil of every country, and of every portion of every country, is left at liberty to be cultivated principally, or wholly, if necessary, in raising those productions for which it is best calculated and adapted;

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those which, by experience, it has been found to afford of the best quality, in the greatest abundance, and at the least expense of capital and labour. Labour or capital, employed in manufactures, is enabled to avail itself of local situations and natural advantages (for instance, a stream or a coal-mine), and to adapt itself, exclusively, to those pursuits, in which, from any peculiar disposition, dexterity, ingenuity, or fortuitous discovery, the people of any particular country, or any particular part of them, may excel. The advantage derived from the division of labour is well known. What is effected by the operation of that principle, for a single undertaking, is, by the aid of commerce, effected for the whole world. Commerce enables the population of each separate district to make the most of its peculiar advantages, whether derived from nature, or acquired by the application of industry, talent, and capital;—to make the most of them for its own consumption, leaving, at the same time, the greatest possible remainder to be given in exchange for any other commodities produced more easily, more abundantly, or of better quality, in other districts of the world. It is *thus* that a country is enriched by commerce.

Apply this, for example, to England. Much is required for the subsistence, much for the comfort, much for the enjoyments and luxury, of the people of this country. Now, if we could not, or, by a mistaken policy, would not, procure salt meat from Ireland; a country, in which, we will assume, that, from its superior pasture, one acre will feed as many cattle as can be fed upon two in this country; it is obvious that, if we still wanted to consume the same quantity of meat, a larger portion of our soil must be allotted to pasture.—Consequently, we should have less of corn, hops, or some other article of our present growth.

In the same way, if we had resolved, that, instead of importing sugar, we would make it from beet-root, the sweet maple-tree, or any other vegetables, which could be raised in this climate; we should be obliged to allot a great portion of our soil to their growth; and, after all, we should have very little sugar; and we should have much less of other produce than we now have, together with an abundant supply of sugar. The same observation will apply to hemp, or to any other article principally imported from other countries.

Certain small states, which have been enriched by commerce, form no exception to the truth of these observations.—Favoured by natural advan-

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tages of situation; pursuing a more enlightened commercial policy than their neighbours; deriving commercial security from their own political weakness, and from the jealousy and wants of more powerful nations; they became, when trade was little understood and less esteemed, the carriers for all the other parts of the world. Great capitals were requisite for this purpose; and being thus concentrated in certain spots, they were gradually increased by thrifty management, till the owners were enabled, by successive accumulations, to employ part of their wealth in advances to the countries with which they traded, and thus to become partners in the produce of those nations. VENICE and AMSTERDAM, each in the days of its prosperity, may have been, what LONDON now is, the *focus* in which the greatest mass of capital is drawn together; the largest *emporium* of the goods and produce of all other countries; and the fountain-head of commercial credit.

The great profits, which center in these capitals of the trading world, are the result of wealth gradually accumulated, or tempted from other quarters, by better prospects of advantage, and by confidence in a more assured state of property. It is this wealth which, in the first

instance,

instance, creates the trade, and not the trade the wealth. But whatever may have been the profits and accumulation of wealth made by the mercantile community in any one of them, or the incidental advantage of such accumulation to the particular country; the benefits conferred on all individuals, and all countries, whose productions were exchanged by the intervention of *their* capital, industry, and talents, were reciprocal, and to each *equivalent*.

Every addition to the productions of a country, whether ultimately consumed at home or not, adds equally to its means of commercial exchange with other countries. To improve agriculture, therefore, is to extend commerce: and every new channel opened to the latter, affords additional encouragement to the former. It is thus that they both contribute to the wealth of a country; and that the improvement of that wealth is most effectually consulted by leaving to every part of the world to raise those productions for which its soil and climate are best adapted.—Yet, such is the barbarian ignorance, or detestable policy, which presides in the councils of France, and sways those of continental Europe, that we are boastingly told of whole districts in Italy and Provence,

vence, naturally fertile in other rich productions, being devoted to the raising, at vast expense, of a little very bad cotton. We hear of Princes in Germany, devising wretched substitutes for coffee, or planting forests of sweet maple, and sinking great capitals in the erection of works for the manufacturing of sugar: and all this, at the same time that the natural productions of their agriculture, those best suited to their soil and climate, in exchange for which these articles might be procured in abundance, are rotting in the fields for want of a market.

If it were in the nature of violent passions and headstrong power to take lessons from experience, *Buonaparte* perhaps would begin to perceive, that the mercantile superiority for which he envies and hates this country grows, not so much out of commercial regulations, as of a system of laws, which affords perfect protection to property, admits of no degrading distinctions in society, encourages industry, fosters genius, and excites emulation, and is supported by that moral, manly, and national character of our people, which is only another of the many advantages derived from that system: that the wealth, which is employed in commerce, is the result of long accumulation, uninterrupted by popular violence, or arbitrary exactions;

actions; that so long as these blessings are continued to us, on the one hand, and, as on the other, his warlike pursuits abroad, and capricious regulations at home, conspire to drive commerce from the Continent, the capitals engaged in trade will seek protection and employment in England—and that, whilst he is thus engaged in adding incalculably to the misery of Europe, by debarring it more and more from the benefits and enjoyments which commercial intercourse affords to mankind, the blow, aimed at this country, is counteracted by the course which he pursues; and the national capital and resources of Great Britain are, upon the whole, perhaps, rather increased by the very system on which he has founded the vain hope of reducing us, either to submission, or to ruin.

These few observations would suggest many more on this interesting and important branch of political economy. But I am aware that I have already been guilty, in some degree, of a digression from my subject: to which, however, I have been tempted by a persuasion that there is no political question on which the prevalence of false principles is so general, as in what relates to the nature of commerce, and to the pretended *balance of trade;* and that there are few which have led to a greater number of practical mistakes, attended with consequences extensively prejudicial to the happiness of mankind.

In this country, our parliamentary proceedings, our publick documents, and the works of several able and popular writers, have combined to propagate the impression that we are indebted for much of our riches to what is called the *balance of trade*. This impression, which has spread through Europe, has contributed, not a little, every where, to suggest the imposition of unnecessary restraints upon trade, and perhaps to render acceptable for a time, even to the nations who were suffering from it, the wild attempt to exclude British commerce from the continent. The jealousy, which our general prosperity creates, is enhanced by a notion that it is altogether the effect of our commerce. Whilst our merchants are individually reputed pre-eminent for good faith and fair dealing, the opinion entertained of us, as a nation, is, that we are little short of *sharpers* in trade; and that, whatever we gain by *it* is so much lost to those who deal with us.—For the countenance given to this opinion, prejudicial to every country, but not least so, to ourselves, we have, I think, more to answer than the most envious of our neighbours. Our true policy would surely be to profess, as the object and guide of our

commercial

commercial system, that which every man, who has studied the subject, must know to be the true principle of commerce;—*the interchange of reciprocal and equivalent benefit.* We may rest assured that it is not in the nature of commerce to enrich one party at the expense of the other. This is a purpose at which, if it were practicable, we ought not to aim; and which, if we aimed at it, we could not accomplish. Let us not then disclaim a virtue which we, perforce, must practise. The boast of wealth growing out of unequal advantages would be but a vulgar boast, even if it could, in the nature of things, rest on a real foundation.—Our legitimate pride should consist, not in the superiority of the means with which Providence has blessed us for the improvement and extension of our own commerce, but in the consciousness that those means cannot be employed for purposes purely selfish, and that we do not desire so to employ them. Our national character is to be exalted in the eyes of foreigners, not by a self-complacent display of our own prosperity, but by shewing to surrounding nations that they have an interest in that prosperity, and that we prize it the more, not because we believe it to be exclusive, but because we know it to be communicable.

To

To come back, however, to the subject of foreign exchange. I have hitherto proceeded upon the supposition of the money of any two countries, between which an exchange is established, retaining their relative weight and fineness, according to the standard of their respective Mints, upon which the PAR between them was originally settled. If, in either country, the standard, or the denomination, be altered, whilst, in the other, they remain the same; of course the *real* PAR will be altered in the same proportion, although this alteration will most probably be effected without any variation in the mode of stating the course of the exchange; just as a shilling is still called a shilling in Ireland, although its current value has long since been raised from 12*d.* to 13*d.* This gives rise to what, in the Report of the Bullion Committee, is called the *computed* PAR. Even without any change being made by law in the standard or denomination of the currency of either country, this PAR would seldom be found perfectly to accord with the *real* PAR; because the degree of wear might be different in the two currencies, or even in different portions of the same currency. It is only when both contain the full quantity required by the Mint regulations of the respective countries, or are equally diminished

nished by wear, that the *computed* and the *real* PAR are, in fact, exactly the same. The *real* PAR will also vary where the standard of the one country is gold, and that of the other silver, with every fluctuation in the relative value of these two metals.

The regulation by which our gold coin, if reduced more than a small fraction above one per cent. ceases to be a *legal tender*, would prevent the foreign exchange from being affected to any greater degree, by the wear or clipping of our coin; even if the currencies of other countries were constantly of their full standard weight and fineness. It is owing to this regulation that the exchange became much steadier, and was more generally in our favour, after the re-coinage of our gold in 1773.

No alteration can be made in the standard, or denomination of the currency of any country, without the precise effect of it upon the value of such currency being immediately and generally known: and a corresponding alteration as immediately ensues in the rates of exchange with other countries, though the former mode of *computing* it may still be continued. In Ireland the *standard* is precisely the same as in England; but the denomination of the shilling being raised, in the former country, to

 thirteen-

thirteen-pence, the exchange is at the *real* PAR when it is stated to be $8\frac{1}{3}$ against Ireland: on the other hand, if the standard of our gold were lowered in England $\frac{1}{12}$, whilst it remained the same in Ireland, or if the denomination of our shilling were raised to thirteen-pence, or that of our guinea to 22*s.* 9*d.* the effect, in either case, would equally be to do away this *computed* difference against Ireland. It would be very easy to multiply examples of similar alterations in the currency of different countries, attended with a corresponding effect upon their respective exchanges.

Although our present situation is somewhat different from that which would arise from an alteration in the standard, or in the denomination of the coin, the effect on our foreign exchange is precisely the same.

Our gold coin is not materially deteriorated by clipping or wear; nor has its standard been lowered, or its denomination raised: but for coin we have substituted a paper currency; which, from being issued to excess, and from that cause only, no longer actually represents the quantity of gold which it purports to represent.

The following case will perhaps illustrate this part of the subject.

Suppose

Suppose 12 ounces of gold, of standard fineness, to be converted at PARIS into French currency, and that, with the proceeds, is bought a bill of exchange upon LONDON for 56*l.* sterling. If, at the same moment, this last sum in English currency (Bank notes,) would purchase exactly 12 ounces of standard gold in London, the *real* exchange of Paris upon London, it is admitted, would be at PAR.—If that sum would purchase 12 ounces and a half, the *real* exchange would be against London: if it would purchase 11 ounces and a half only, the *real* exchange would be in favour of London. Now, 12 ounces of gold being equal to 44 guineas and a half, or 46*l.* 14*s.* 6*d.* the difference between that sum and 56*l.* would, in the first supposition, be the measure of the depreciation of the latter sum in Bank paper. In the same manner, that depreciation may be calculated in the two other instances.

In the first case, the loss upon the exchange arises solely from the depreciation of the paper, and is exactly equal to it. In the second, the loss on the exchange is greater than the depreciation of the paper; in the third less: the difference, one way or the other, being half an ounce of gold, or 1*l.* 18*s.* 11¼*d.*

Whether, in point of fact, the *real* exchange with

with the Continent be, at this moment, for or against this country, it may be difficult accurately to determine. If the difference, here, between the Mint and the Market price of gold, such as can be legally exported, be less than the loss on the *computed* exchange; the presumption is, that the *real* exchange is against us, in nearly the amount of that difference.

It being admitted, on all hands, that our currency has no value in a *foreign* country, except in proportion to the *quantity* of gold which it actually contains, or which can be procured for it by purchase in the market; I could wish that some of those who have made this admission, but who do not admit the depreciation of our paper, would explain, distinctly, what it is, other than that *quantity*, which determines the value of such currency amongst ourselves? Is it any thing in the coinage? Those who allow that 44 guineas and a half, new from the Mint, and 46*l.* 14*s.* 6*d.* in Bank notes, are *equal values*, and who cannot deny the fact that 56*l.* in notes, will not buy one grain more of gold than is contained in those 44 ½ guineas, will hardly contend that any thing is gained by the coinage. In truth, their position, as to the undiminished value of our currency, can not be maintained at all unless they can make out that two *unequal*

quantities

quantities of the same article are *equal* to one another: and, if they can succeed in this, they may as well raise the guinea to the value of five guineas, and declare all our shillings crowns at once.

But, after all, the subject of *foreign* exchange is, of itself, of little interest or importance, compared with the question, to which it is incidental, of the diminished or undiminished value of our currency at *home*. It is, indeed, connected with the question of depreciation only as it is a symptom of that depreciation. Whether it be, as has been contended by me, and is, I think, satisfactorily made out, a symptom consequent upon the existence of the disease; or whether as others contend, it is the predisposing cause of it;—in either case, the disease equally exists, and equally demands a remedy. To talk of postponing the remedy until this symptom shall cease, is, in fact, to perpetuate the disease.

In King WILLIAM's time, the same disease (a depreciation of our currency) was accompanied, as it is *now*, with a corresponding depression of the foreign exchange. *Then*, as *now*, there were not wanting those who wished to invert the relation which these two evils really bear to each other; who maintained that the high price

of

of bullion, as measured in our currency, was produced by the unfavourable course of the foreign exchange; and who would fain have recommended to Parliament, rather to wait, in helpless expectation, for the disappearance of the evil over which they had no controul, than to apply themselves to the grievance which it was in their power to redress. But Parliament, at that time, felt, that, whatever might be the depression of the foreign exchange, it was their first duty to deal with the manifest evil in the state of our currency, from a conviction that it was, not only a question of policy, but strictly of good faith.

That it *is* a question of good faith, can any man doubt, when he considers that the *stamp* affixed to our coin is nothing more than a *guarantee* given by the sovereign that, in *weight* and *fineness*, the money of the country is in exact conformity to the *standard* fixed by law: when he considers that for the express purpose of making this *guarantee* completely effectual, the law which makes that money a *legal tender*, has, at the same time, denounced the severest penalties against those who shall imitate or counterfeit such *stamp;* and takes away the character of *legal tender* from any portion of that money so *stamped*, if, from any accident or circumstance whatever,

whatever, the *quantity* of gold certified by the *stamp*, is reduced in a greater proportion than about 1 $\frac{1}{10}$ per cent. that the value of our money being thus accurately ascertained and determined, all pecuniary contracts and bargains have been made, and all engagements accepted, in the full confidence and assurance, that the publick faith so firmly pledged, so strongly sanctioned, and so cautiously guarded, would never be violated or impaired?

Does it not follow from these premises, that any contrivance which, under the same *denomination* of money to which this *guarantee* applies, should compel any individual to accept, in payment of a legal debt, a smaller *quantity* of gold than is certified by the stamp to be contained in such *denomination*, would be a violation of the publick faith; and a loss, to him as creditor, of whatever may be the difference between the *quantity* of gold to which he is entitled under the *guarantee* of the sovereign, and the *quantity* contained in the currency in which he is actually paid, or which can be procured for it, at the time of such payment?

In truth, there is but one security for the maintenance of the publick faith of a country in this respect; and that is, *to preserve the* STANDARD *of its currency immutable and inviolable.* I

have

have already shewn that the intention of the Act of 1797 was not to introduce, or authorize any variation of our *standard*. Practically, for a series of years, it had no such effect. Within a late period such an effect has been produced. The *standard* of our currency has been virtually altered; and *that*, which no legislature would advisedly have consented to do, or could have done without violating the obligations of justice, has been unadvisedly and innocently done by the Corporation of the Bank. Not that the Bank were aware that they were exercising, any more than the legislature had it in contemplation to transfer to them, any such power. Yet, it is obvious that while in principle and in law our *standard* remains the same, in practice and in effect it is lost. If a foreigner had at any time enquired what was the standard of our currency?—the answer at any period from the time of the TUDORS* downwards would have been, to refer him to the unvaried letter of the statute, as strictly executed in the regulations of our Mint. The answer to such a question must *now* be sought in the current price of bullion in the market, and in the discretion of the Bank.

* The last alteration in our standard was made in the 43d of ELIZ. when it was lowered between 3 and 4 per cent.

Admitting these evils, however, it may yet be said, that the restriction is but a *temporary* measure, which once removed, every thing will return to its proper level. True :—but, if it be much longer continued, what confusion and derangement must, in the mean time, ensue in all the transactions of society? True :—but the very evils which this measure has created, and which it alone keeps alive, are assigned as the reasons for continuing it, so long as they exist. True, again, it is, that this is a *temporary* measure;* and, out of this very circumstance grow most

* I trust there is no doubt of this fact, but I am sorry to see that the Bank Proprietors (if their sentiments can be collected from the report of their proceedings at their last general meeting) entertain a different expectation.

An uninformed stranger, from reading the account of these proceedings, would be led to conclude, that the proposal of the Bullion Committee to allow the Bank two years to prepare for the resumption of cash payments, was a direct and gross infringement of their charter. It was condemned as a plan of *compulsion* and *injustice*. The Orator of the Bank, on that occasion, seemed to prefer even their dissolution, as a trading company, to this resumption of the functions for which they were originally instituted.—" Let Government (he is reported to have said) " pay us the 18 millions they owe us, and we " will make up the remaining two millions by subscription " among ourselves within an hour, so as immediately to dis- " charge all our notes."

most important considerations for those whose high office it is to administer justice in equity; and

In reply to this lofty language, I would observe;—1st. that no one suspects the Bank of being insolvent, or of having made any advances without very good and ample security;—that no man has imputed the depreciation of their notes to any suspicion that their concerns as a Bank are not prosperous, and that their management for themselves is not extremely prudent;—2dly. that if the Bank Proprietors, as a body, should, after mature consideration, be disposed to petition Parliament for leave to surrender their charter, there would be no difficulty in finding other members of the community, who, upon a transfer to them of that charter, and the other advantages of the Bank, would be perfectly ready to make good any advances from the Bank to Government, and to take upon themselves the whole concern, without refusing to resume cash payments at the expiration of two years.—But I must add, that, while on the one hand, I should be very sorry to witness such a transfer, on the other, I have not the smallest apprehension that the Bank Proprietors, when they shall come to weigh the arguments of their learned advocate, will put it in the power of any other body of men to acquire the advantages which they now derive—1st. from the exclusive privileges of their charter;—2dly. from their being the agents of the state in all pecuniary matters;—3dly. from their being the Bank of deposit in which all the money arising from the receipt of the revenue, or issued for the expenditure of the state, is lodged.

With respect to the sum of 18 millions, which was said to be due by Government, it would have been well if, at the same time, that the aggregate was so ostentatiously announced, some of the heads of that debt had been stated. Such an explanation and to whose care and custody are committed the protection and preservation of property belonging to the most helpless classes of society.

If

planation would have prevented many unfounded inferences, which, to the prejudice of Government, have been drawn from that statement in other quarters;—as if sacrifices to such an amount had, since the restriction, and in consequence of the facilities which it afforded, been made by the Bank to the Government.—On the contrary, I believe, there never was a period of war in which Government were less, or so little, indebted upon floating securities to the Bank as at the moment of Mr. Randle Jackson's assertion.

The first and largest *item* of which this sum of 18 millions is made up, is the advance *originally* made by the Bank of their capital stock amounting to 11,686,000*l.*—3 per cents.; which advance has been carried on upon each successive renewal of their charter. This advance has no more connexion with the issues of the Bank than any other *three per cent. stock* which Mr. Jackson, or any of the Proprietors may possess individually; or than the whole mass of the funded debt of the country. This stock, though ultimately liable for their engagements, is no part of the securities upon which their notes are issued: it is the *subscription* capital of the company, and the repayment of it is not due or *demandable*, till the expiration of the present charter in 1833.

The next sum consists of two advances, of three millions each: the first lent in 1800, for six years without interest, as the price of the last renewal of their charter; and continued since the expiration of that period, at an interest of three per cent.:—the other advanced, without any interest, under an agreement with Government made in 1808. Both these

advances

"If the nature of our money be such as I have stated;—if the laws of England, by which its *standard*

advances are in consideration of the profits accruing to the Bank; from the deposit of the publick balances in their hands. These deposits, it is quite obvious, have no connection with the circulation of the Bank; and would be continued, to nearly the same amount, if that circulation were restored to its sound state. The average amount of these deposits exceeds *ten millions sterling*.

No part of this advance of six millions is *demandable* until six months after the termination of the war.

The difference between the amount of interest paid to the Bank on this advance, and the amount of legal interert at 5 per cent. on that sum, is correctly stated by Mr. JACKSON at 210,100*l.*—per annum.

Thus are 17,686,000*l.* out of the 18,000,000*l.*—so confidently, but prematurely, called for by Mr. JACKSON, disposed of.

The small remainder of any debt from the Government to the Bank consists, either of the ordinary annual advance on the land and malt, the repayment of which is amply secured by those taxes;—their weekly produce being appropriated for that purpose, until the whole advance of each year principal and interest is repaid—or of any advances which the Bank may have voluntarily made, by the purchase of Exchequer Bills, for the repayment of which, with interest, they have the same security, and are upon the same footing, as any individual who may purchase such bills in the market.

With respect to the sum of 210,000*l.*, annually saved to the publick upon the advance of the *six millions*, made, as I have stated, in consideration of a deposit in the Bank amounting, upon a permanent average, to more than *ten millions*;—I must be *standard* is *fixed*, *guarded*, and *guaranteed*, have been correctly described by me; (and upon

be allowed to express my regret and surprise, that, at a general meeting of the Bank Proprietors, where the very Directors with whom the agreement for this advance had been so recently made on the part of the Bank, were probably present, (and surely the conditions and nature of such an agreement must be known to all the Directors) it should have been more than insinuated, without contradiction from any quarter, that this sacrifice of 210,000*l.*—per annum, is made by the Bank to Government, in consideration of the advantage which the Bank derives from the suspension of cash payments.—The words of Mr. Jackson as stated in the report of his speech (Morning Chronicle, 21st September) are

"But when the Committee determined so earnestly to re-"commend the resumption of cash payments, and a *compul-"sive* measure upon this institution, it would have been but "becoming in them to recommend, as a preliminary step, the "*repayment to the Bank of the* 18 *millions due from the pub-"lick, and also the restoration of the* 210,000*l. derived from "the Bank in consequence of the supposed advantages resulting "from the non-payment of cash.* This was a line of proceeding "which at least *common justice* should have urged the commit-"tee to propose."

Fortunately the correspondence on this subject between Government and the Bank in 1808 was laid before Parliament, and is published. By a reference to that correspondence, every one may satisfy himself that this sum is the price paid by the Bank for the use of the publick balances, and on no other account whatever: to which I may add, that it was the opinion of several persons in the House of Commons, and par-on these points, so well understood, and so long settled, there can be no difference of opinion)—if it be of the essence of those laws, that every legal bargain for money can only be satisfied by the payment of the stipulated *quantity*; I cannot help suggesting a doubt, whether the many important pecuniary interests committed to the care of our Courts of Equity may not be wrongfully deteriorated by the continuance of the present state of our currency?—Whether, for instance, an old lease, at the rent of 1000 guineas

ticularly of the leading members of the Committee of Finance, in consequence of whose report this bargain was made; that the advance obtained from the Bank was not adequate to the advantages which they derived from the agreement.

Be that as it may, I must decidedly protest against the assertion that Government has, at any time, demanded or received from the Bank any participation in the profits which accrue to them from the suspension of cash payments. Every administration, I am sure, since 1797, will join me in repelling this insinuation; and in maintaining that, whatever measures Parliament may think proper to adopt, in consequence of the report of the Bullion Committee, their deliberations cannot be influenced or fettered by any direct agreement, or implied understanding, with respect to the continuance of the suspension. Nothing in fact has ever passed between Government and the Bank which can have the effect of preventing the Legislature from fixing the period for the resumption of cash payments, without reference to any other consideration than the interest and the safety of the country.

neas per annum, being virtually, though not in terms, a contract on the part of the lessee to pay in each year, at the very least, 266 oz. 13 dwts. 8 grs. of gold, (allowing each of these 1000 guineas to be of the lowest standard weight permitted by law) that contract can be equitably fulfilled by the payment of 220 ounces?—Whether even during the existence of this *temporary* restriction law;—which (be it always remembered) is to cease in six months after the termination of the war, and *must* be so construed and contemplated by every court, either of justice or equity,—1000 guineas, weighing any thing short of 266 ounces, would entitle the lessee to a discharge? By a *tender* of that which is equivalent only to 220 ounces, it is true, that he is now protected against the process of the court; but in *equity*, is he entitled to a discharge? Will he be entitled to it, next year, if that which he may tender should be equivalent to 20 ounces only. Will he be entitled to it the day after the signature of a peace, although it is admitted and notorious that six months after that day, the law would compel him to pay 266 ounces?

I know not whether, by possibility, any man can have reflected upon this subject so little, or to so little purpose, as to object to the doubts which I have now suggested—that they pro-

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ceed on the supposition that it belongs to the province of courts of Equity to take care that the value of money should never be altered. Nothing so absurd ever entered my imagination. The value of the precious metals relatively to other commodities, *cannot* be fixed. It is subject to be affected by the same circumstances of abundance, scarcity, supply or demand, as affect the value of all other articles. That it has greatly decreased within the period which has elapsed since the discovery of America is notorious—that it continues to decrease slowly and progressively, I am also disposed to believe. This is an inconvenience, but is not an injustice, to a creditor. All that he has any right to expect, all that his contract *stipulates*, and the law *guarantees*, is, that the *quantity* shall be the same: not that the value of that *quantity* shall continue invariably to bear a proportion relatively as favorable proportion to that of other commodities. The reverse might have been the case: still he would have been entitled to the same *quantity*. True it is that the natural and progressive diminution of the value of money is peculiarly felt by that class of the community which depends for support upon fixed incomes; true it is that the unavoidable increase of taxation adds to this peculiar pressure. The

more

more incumbent is it upon the Legislature not to aggravate this pressure by prolonging a system, which in its effects greatly out-steps the natural course of events; and not to augment the amount of the necessary deductions from income, by one which adds nothing to the revenue of the state.

One or two observations of those who maintain that there is nothing wrong in the present state of our currency remain to be noticed.

From the abettors of the present state of things, when they have been referred to the rapid rise in the price of all ordinary commodities as a *very strong indication* of the depreciation of our currency, I have often heard this answer,—"that this is sufficiently accounted for by the progressive diminution in the value of the precious metals"; that is—by their *increasing abundance.* When the same persons, in consequence of this answer, have been referred to the high price of these precious metals themselves, if purchased in our currency, as a *more certain and unequivocal* proof of its depreciation, their answer has been "that this is the natural effect of the *scarcity* of these metals."

But, because gold that can be sworn off for ex-

 portation,

portation, is worth about 3*s.* per ounce more in our market, than gold, of the same fineness, which cannot be legally exported, an inference is drawn, that gold must be dearer abroad than in England, not only by this difference, but by all the expense of transporting it to the Continent; and that this circumstance accounts for its scarcity, and consequent high price here. This inference has already been so fully examined, and, I think, disposed of, in a former part of this Enquiry, that I shall, at present, content myself with offering what appears to me the real explanation of the fact with which it is here connected.

Since the Restriction Law, and the issuing of *one* and *two* pound notes, the quantity of gold coin in circulation has rapidly diminished; and, within these last two years, guineas have almost entirely disappeared. For some years, prior to the autumn of 1808, the price of standard gold was pretty steady at 4*l.* per oz. and this was the buying price at the Bank. Towards the end of that year, the price rose very rapidly, and has since continued, with trifling fluctuations, at about 4*l.* 10*s.* per ounce; the Bank declining however to offer more than 4*l.*

It is within this last period, principally, that the difference in price between gold that could be be sworn off for exportation, and that which was confined to the home market, has arisen.

Now, the demand for gold, like the demand for any other commodity, depends upon the consumption; and the price is regulated by the demand. The consumption in England, before the Restriction, was, either for the purposes of our manufactures, or for coin. The quantity used in the former was very inconsiderable, and probably still continues unaltered. The great demand was for the purpose of supplying and keeping up a certain amount of gold currency; and the great purchasers were the Bank. This demand has altogether ceased; and the purchases of the Bank, for these last two years, must have been suspended. The fact, I know, is not in evidence; but a comparison of prices sufficiently warrants the inference. Hence it appears, that the market of this country, for internal consumption, is fallen off almost to nothing, whilst the market of the Continent remains just as brisk as before. The necessary result is, that whatever gold there may be in England, or may come to England in the course of trade, and which can be legally exported, goes to the better market. It possesses a *privilege* which the law has taken away from other

other gold; and, under the present circumstances, this *privilege* makes it more valuable. There is nothing surprising in this, any more than there would be to find that a better price was given for *exportable* coffee, for instance, if that privilege were given only to a certain limited quantity, and the remainder of the stock in hand were confined to the comparatively small consumption of this country.

The only way to stop this exportation of gold is that the Bank should give the market price, and revive the use of it in circulation. If that price be 90*s.* per ounce, 90*s.* must be given: but, in proportion as the value of their notes in circulation shall be raised by the gradual withdrawing of the present excess, that price will diminish, until it shall be restored to the Mint price, and their notes consequently to PAR. On the other hand, if the excess of Bank paper shall continue progressively to increase, 90*s.* will soon cease to be a sufficient price for an ounce of gold: and either more must be given; or it will continue to be carried to other markets.

The difference between the market and the Mint price, it is true, will be just so much loss to the Bank upon all the gold which they may

now

now buy, whenever they shall resume cash payments: but it is equally true, that this difference is, at this moment, just so much loss to the holders of their notes, and that the latter have no chance of that compensation which the Bank has so amply secured to itself, by the increased amount of its issues since the Restriction.

It is, therefore, because the use of gold has been superseded by the present state of our currency, whilst the over-issue of that currency has diminished its relative value; and because the Bank of England, not making a sufficient allowance for that diminished value, has ceased to offer the market price, that *exportable* gold is of more value than that which cannot legally be sent out of the country.

If the law which prohibits the melting of our gold coin, and its exportation, either as coin or in bars, could be much enforced, the difference of price would be greater than it now is: but every one knows how easily both these provisions are evaded; and how impossible it is to make them effectual. I have therefore no doubt that there has been sent to the Continent within these last two years, partly in bars, and partly in coin, a considerable quantity of gold not exportable by law; which would have remained in England, if the Bank Directors had raised their

buying

buying price in proportion as the value of their paper was depreciated.*

But

* Any bank of which the profits are proportionate to the amount of its issues, and which has nothing to consider, in making those issues, but the quality and character of the securities upon which its loans are advanced, must have a natural tendency to a continual increase of its paper. It appears to me, therefore, extremely probable, that, for some considerable time before the depreciation of our paper currency was materially marked by the high price of gold bullion, the amount of Bank issues was in excess. But the full effect of this excess was not so sensibly felt, because, so long as our currency consisted of a mixture of gold and paper, the former would give way, and either be exported, or melted down —and by thus gradually making room for the augmentation of paper, the value of the latter would be, in a great degree, sustained.—But, when, by these successive additions to the amount of Bank of England and country paper, nearly the whole of the gold had been shoved out of circulation, whilst the same disposition and motives to increase the issues of paper still continued, the effect of any such further increase would be more rapidly and seriously felt in the diminished value of our remaining currency. By an unfortunate coincidence of circumstances, a disposition to apply for a great increase of discounts was excited in the mercantile world, much about the same time when the greatest part of our gold had already been driven away; and the facility with which these discounts were effected, must have contributed, in this state of things, to accelerate the depreciation of our currency.

I cannot help observing, on this occasion, that I have lately seen, with regret, that an issue of seven-shilling pieces (I hope

to

But the Bank, I may be told, could not buy guineas for more than 21*s.* each. Be it so: but it might have given 4*l.* 10*s.* for gold in bars: and, if this had been the Bank price, the guineas

to a very limited amount) has been made by the Bank. Such issues of coin can answer no good purpose, so long as the value of their paper is kept materially below PAR; for it is impossible that gold should continue in circulation, and, the quantity of it remaining in the hands of the Bank is thus fruitlessly diminished.

The stamped dollars, though issued at five shillings each, which is somewhat more than their value at the present price of silver, will in like manner, (as indeed they do every day) though from a different reason, disappear. I say from a different reason, because it is true that for a one-pound note you may purchase more silver bullion than is contained in four stamped dollars. But each of these dollars, now worth about 4*s.* 9*d.* is a substitute in circulation for five shillings of our silver coin, worth upon an average about 3*s.*—Any man, therefore, who exchanges five of these shillings for a dollar, gains about sixty *per cent.*—The profit on the purchase of silver bullion would be somewhat greater; but the dollar is preferred, because it is in the way of the shillings which would otherwise in a great degree soon cease to be current in circulation. This is no imaginary case, but a practice which, more or less, is going on every day.—So long as our silver currency shall be suffered to continue in its present state, the industry and ingenuity of individuals, however restrained by law, will not be wanting to keep up and supply its circulation. This debased currency will drive away any other which, under the same denomination, possesses a much greater intrinsick value, just as our paper drives away the gold.

which

which have now gone abroad, either in bars, or in coin, (the latter to be melted abroad,) would have found their way, as bars, to the cellars of the Bank.

This is precisely what happened before the Restriction Law, whenever, from a temporary over-issue of paper, (to which the Bank, from the nature of its institution, must be ever prone,) the market price of gold was raised, for a short time, above the Mint price. Guineas, notwithstanding the law, were immediately melted, and the bars sold to the Bank at the advanced price: whilst other guineas were demanded from them, which were melted in their turn, if the difference of price lasted so long; giving to the melter a profit equal to that difference, and to the Bank a warning to reduce the amount of their paper.* Thus the gold coin did not go abroad, and though small quantities of it were occasionally melted down, no scarcity of coin was ever felt for any length of time.

Much less would it have gone abroad within these two last years, if the demand and use for gold in this country had continued the same; or if the Bank price had at all corresponded to the

* On this subject, the reader is referred to Mr. Thornton's "*Essay on Paper Credit.*" Page 125, &c.

market price: for it appears, by the evidence annexed to the report of the Bullion Committee, that, owing to political circumstances, the expense and risk of transporting gold to the Continent have been more than double what they were before the year 1797; and it must be obvious that any increased charge, in this respect, operates as a tax to discourage exportation.*

For these two last years, therefore, if the restriction law had not been in force, we should have had a greater security against our coin being exported, than at any former period: but, owing to that law, and to the consequent conduct of the Bank, a certain exportation has taken place, and will be continued, more or less, so long as the same circumstances shall continue in spite of those laws, by which we in vain en-

* Owing to a great proportion of our guineas being locked up in the Bank, or hoarded by individuals; to the difficulty of collecting such as are still in circulation; to the expense, probably, of purchasing them at a premium, and the charge and risk of sending them abroad; the whole quantity of our gold exported has not, I conceive, been very large, and certainly not to such an amount as there would be any difficulty in replacing by purchases in the market here, or in the foreign markets which are open to us. I should very much doubt whether the quantity of gold which has been exported, by an evasion of the law, can exceed from two to three millions sterling.

deavour to restrain it. Those laws, indeed, it might be easily shewn, would be prejudicial to the publick interest, if they could be made effectual. Failing in this object, they are still highly objectionable, as holding out a strong temptation to perjury. On this ground alone, their repeal would be desireable. They are inconsistent with the true principles of commerce, and with the established policy of the most enlightened commercial states of Europe;*—states, whose currency, amidst all the political calamities, and military exactions, to which they have been subject, for the last fifteen years, has suffered no debasement, nor ever made way for a system of paper currency, not convertible into specie at the option of the holder. Respecting these laws, all that I have further to observe, at present, is, that, however desirable it may be that the gold coin, which has been exported within these last two years, had been kept at home by a different system of policy; the eagerness for enforcing those laws, recently manifested by the very persons, who see, in the

* Holland and Hambourg. A similar policy prevails in the United States of America; whilst Spain and Portugal, who possess the mines from which the precious metals are drawn, have always endeavoured by the severest penalties, and always in vain, to prevent their being exported.

present system of our currency, nothing but sound wisdom and national advantage, appears peculiarly whimsical and absurd. Under this system, gold, a commodity of universal value, and of which we formerly possessed a great deal, ceases to be of use here, except to a very limited amount. Yet, in proportion as the system, which they applaud, becomes every day more complete, do they feel a perverse, but unavailing anxiety to keep at home so much dead and unproductive capital, instead of allowing it to be exchanged abroad for other commodities, for which there is a beneficial use and demand in this country.

So long as the present system is persevered in, there can be very little doubt but that the quantity of our gold coin will rather diminish, and that the small amount which still remains in circulation, if not hoarded, will be exported. Fortunately, there is quite as little doubt that, whenever, by the termination of this system, gold shall become again, in *fact*, what it is now in *law—the foundation and standard of our currency*, it will again make its appearance; and that when we shall have a use for it, we shall be at no loss to procure a supply adequate to the demand.

Bullion is a commodity for which we must

pay,

pay, as we do for any other which we want. But, for the same reason that, of all articles of trade, it is that which it is the most difficult for us to keep at home by any operation of law, now that it is not in demand; so would it be that which it would be impossible for the intervention of foreign powers to prevent us from importing, in proportion to the use and demand which we might have for it here. If a supply be necessary for our circulation, it must be procured, and may be procured, by an exchange of other commodities which we can spare, just in the same way as hemp, for instance, an article of which it is at least as much the interest of our enemies to intercept the supply. But, in as much as gold in the state of coin is so much capital engaged in an unproductive though necessary employment, it cannot be the wish of any man, conversant with this subject, to proscribe the circulation of paper, or not to allow and even countenance it to the fullest extent; only taking care that all such circulation should be concurrent with the standard coin of the realm, and that such paper should be kept invariably at PAR, by being constantly exchangeable for that coin at the option of the holder.

It will be objected to me, perhaps, that, in this argument, I appear to have assumed that guineas were proscribed and excluded from circulation; whereas, they are still current at their standard price. This objection naturally brings me to the other main defence of those who stand up for the undiminished value of Bank notes; namely, "that commodities have but "one price, whether paid for in gold, or Bank "paper; and, consequently, that the latter can-"not be depreciated."

This argument is altogether fallacious: whilst the fact on which it is founded affords the real explanation of the disappearance of our gold.—That our gold coin is not cried down and prohibited, is unquestionably true: and that the value of the gold contained in a guinea, in its state of coin, and when used as currency, is only $\frac{1}{20}$ more than that of a pound note, is not denied.—But then the question is this—Is Bank paper or gold our *standard?* If paper, then the value of a guinea ought to be measured by *it;* and the *denomination* of the guinea being fixed by law at only one shilling more than a pound note, its value can only be $\frac{1}{20}$ more than that of the note, be the latter worth what it may.—If gold, as I contend, and as I have been all along contending, then a one-pound note ought to be exchangeable for $\frac{20}{21}$ parts of the *quantity* of gold contained in a guinea.—That it is not so exchangeable, is undisputed.—That, measured by this standard, Bank paper is depreciated, is undeniable: and it is only by making that paper a nominal standard, under the protection of law, that the value of coin exchanged for commodities, in the ordinary dealings of the community, becomes referable to this fictitious standard. The consequence is, that our coin is depreciated as *currency* to a level with the paper with which it circulates;—that twenty guineas, for instance, circulating upon this footing, lose as *currency* the value of all the gold which they contain above the quantity which might be purchased in the market by twenty-one Bank notes of one pound each.*

No

* The very able and elaborate essay of Mr. THORNTON "On the Nature and Effects of Paper Credit," was published in 1802.

In this work, to which I have already had occasion to refer, the reader will find the true principles of political economy united with the practical, I might almost say hereditary, knowledge of a well informed merchant, and the extensive experience of a great London banker. In applying these principles to the actual state of our circulation in 1802, Mr. THORNTON was led to the satisfactory conclusion, that, from the date of the restriction up to that period, our currency had not been materially depreciated;—perhaps not at all. This

was

No wonder then that guineas cannot be retained in circulation. By melting down, or by exportation,

was the fair deduction from the facts to which his principles were then applied. From the application of the same principles to a different state of facts, such as were, at that time, matter of supposition only, the depreciation of our currency, it was shewn by Mr. THORNTON, would be the necessary inference. The case which he then supposed, is now realized in all its parts. Every argument by which he proved in 1802 that our paper was not more than *sufficient*, equally proves its *excess* in 1810. But Mr. THORNTON did not even stop here. In 1802, he appears almost to have foreseen and anticipated some of the leading objections which would be set up against his conclusions in 1810:—this in particular;—that the deterioration of our gold coin to the level of the depreciation of our paper, would be confidently offered as a proof that the latter was not depreciated. His words are these:—" *Our coin itself, when paper is depreciated, passes not* " *for what the gold in it is worth, but at the paper price, though* " *this is not generally observed to be the case. It is the mainte-* " *nance of our general exchanges, or, in other words, it is the* " *agreement of the Mint price with the bullion price of gold,* " *which seems to be the true proof that the circulating paper is* " *not depreciated.*"

It is highly fortunate for the country at this moment, that the Bullion Committee had the benefit of Mr. THORNTON'S most active assistance, and not less so, that the legislature possesses in him, not only a member unconnected with party, but one intimately acquainted with the whole business of banking, with all the details of commercial credit, and all the bearings of our money system.

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exportation, the gold they contain is restored to its intrinsick value, and relieved from the depreciation attached to it by law in its state of currency.

Laws, however severe, cannot alter the inherent and essential qualities, which determine the relations of value. They may, indeed, impose the same *denomination* upon values essentially different, but the difference will not be the less perceived; for no restraint upon human actions can permanently or effectually countervail the nature of things. When, therefore, the currency of a country consists, partly of gold of standard weight, and the remainder of a paper currency, in *fact* depreciated, but clothed by *law* with the character of a *legal tender*, the *denomination* fixed for such paper currency being the same as for the coin, the latter will have an irresistible tendency to escape from the depreciation in which it is by law retained, so long as it continues in the character of coin; and, either

The practical use of such knowledge in publick life cannot be more forcibly illustrated than by stating, that the country is already indebted to Mr. THORNTON for the suggestions contained in the second report of the committee of Finance respecting the Bank. The consequence of those suggestions has been a saving to the publick exceeding 250,000*l.* per annum.

by

by melting or exportation, it will recover its intrinsick value.

This doctrine will perhaps be best illustrated by reference to a remarkable period of our history, and to the proceedings of the English Parliament at a period to which, by common consent, Englishmen look back as a time when the theory of our government, in all its parts, was best understood, and the principles of justice and good faith, on which all free governments must rest, were most scrupulously practised:—a period illustrated by great names, both in the science and in the practice of politicks, and which has this further recommendation to our attention, that it resembles our own times in one striking particular,—that of having been distinguished by a most anxious and energetick struggle for our independent existence, against the power and pretensions of France. I refer to the reign of King WILLIAM.

Towards the end of the 17th century, the current coin of this country had been reduced, by clipping and other practices, about 30 per cent. below the standard of the Mint. At that time, the pieces, new from the Mint, had no more value *as currency* than this debased coin: though no man, I apprehend, could now by any sophistry, however ingenious, convince, either himself

himself or his neighbour, that the latter was really of the same value as the former. One consequence was, that the pieces of full weight disappeared as fast as they were issued, just as our guineas *now* disappear; another, that the exchange was permanently from 20 to 30 per cent. against this country, as it is *now* from 15 to 20—a third, that guineas (silver* being the then *legal tender*, and the silver coin that which was debased) rose to 30 shillings each, as they have *now* risen to upwards of 24, measured in our new *legal tender* Bank paper: and a fourth, that silver

* For an account of the circumstances which, in the course of the last century, gradually led to the substitution of gold for silver, as the sole *legal standard and tender*, I beg leave to refer the reader to the very clear and satisfactory treatise on our coin, contained in a letter from the late Earl of LIVERPOOL to the King. But this substitution, however produced, has taken place without any alteration in the *weight* or *fineness* of either of the precious metals in our respective coins, and, consequently, without creating any difference in their relative value to each other, as fixed by law, and the long established regulations of our Mint. It is obvious therefore, from this statement, as well as from the facts I have already mentioned, respecting the market price of silver, that the change in *our legal tender* has nothing to do with the depreciation of our paper; and that, under the like circumstances of excess in the amount of Bank issues, that depreciation would have been just the same, if no such change had occurred.

which could be sworn off for exportation was, as *exportable* gold is now, at a premium.

But how little do nations profit by experience! The same fallacious explanations which are *now* given, were then offered to the publick. The same delusive plans of relief were suggested—The *balance of trade* or the *balance of payments* was said to be against us. To this was attributed the unfavourable course of exchange: to the unfavourable course of exchange, the exportation and melting down of the *standard coin*, and the high price of bullion at home. The remedy proposed was, in the language of the day, "*to raise the value of our money*," with a reference to the scarcity, and consequent high price of bullion: and the specifick plan suggested was, to coin an ounce of silver into *6s. 3d.* instead of *5s. 2d.* These doctrines and this plan were supported by official characters of the greatest reputation and practical knowledge, and by persons of the most extensive experience in trade. Fortunately, the fallacy of them was detected and exposed, and the Government of that day was rescued from the adoption of a pretended remedy, which would have perpetuated the injustice, and aggravated the calamities

 for

for which it was confidently offered as a cure.*

The present state of our currency is, in its principle, and in its consequences, precisely the same as the case which I have now described. The effect is the same, whether the currency of any country being wholly metallick, consists in part of a coin, of full standard weight, and in part of a coin, which under the same *denomination*, should be materially deteriorated either in *weight* or *fineness*;—or in part of coin of the former description, and in part of a depreciated paper, discharging the functions of money in the same manner, with the same *denomination*, and under the same authority of law, as the light coin.

It being then, as I conceive, placed beyond all doubt that our paper currency is depreciated;

* I would earnestly wish to recommend to my readers to look at the writings of Mr. LOCKE on this subject.—The arguments by which that great man was enabled to convince Lord SOMERS of the real nature of the evil, are worthy of their attention. The sanction of two such names, and of the Parliament of 1695, which had the wisdom and firmness to adopt their advice, in spite of all the interested misrepresentations of that period, will shew that the doctrines which I have attempted to establish cannot fairly be considered as either new or dangerous.

that

that its depreciation is to be ascribed altogether to an excess* in the issue of that paper, and that

* It can scarcely be necessary to protest against any idea of the depreciation being, in any degree, to be ascribed to a want of confidence in the solidity of the Bank. A corporation originally possessed of a great capital, since increased by immense profits which never makes an advance but upon the best securities, and which might call in the whole of those advances within three months, can never be exposed to any such suspicion.

Paper MONEY issued in the name of the state, in aid of its own Exchequer, and in compulsory payment of its expenses, such as has been resorted to in various parts of the world, is happily unknown to this country. Such paper is in the nature of a *forced loan*, which, in itself, implies a want of credit. From this circumstance alone, it falls below PAR; and its first depreciation is soon accelerated by the necessity of augmenting the issues in proportion to their diminished value. Thus an excess of paper co-operates with publick mistrust, to augment its depreciation. Such was the fate of the paper issued by the American Congress in the war for their independence; more recently of the *assignats* in France: and such is now the state of the paper of the Banks of Vienna and Petersburgh. Whereas, the state of our currency, in regard to its diminished value, is no other than it would be if our present circulation, being retained to the same amount, were, by some sudden spell, all changed to gold, and, by another spell, not less surprising, such part of that gold, as, by its excess, created a proportionate diminution in its value here, with reference to its value in other countries, could not by exportation, or otherwise, find its way out of our separate circulation. It is excess not relievable by exportation.

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without the restriction law no such excess could have existed, or at least have been permanently maintained; it follows, that the repeal of that temporary law is the obvious remedy for this evil. The precautions which it may be necessary to observe in removing that restriction, and the precise period when it ought to cease, are points upon which it would ill become me to anticipate the decision of Parliament.

I shall content myself with offering a few observations on the practicability of the measure, and with noticing such objections as have either occurred, or been suggested to me.

In considering the great and general importance to the whole country of reverting as soon as possible to the former system of cash payments, it must be recollected that there are two parties more nearly and particularly concerned in the present discussion, namely—the Bank, and the commercial interest.

With respect to the former, it may perhaps be inconsiderately supposed, that, in case any specifick, though remote, period should be fixed for the termination of the restriction, the interests of that corporation would lead the Directors, within the shortest possible time after the passing of a law for that purpose, to reduce the amount of their issues, until their notes should have been so raised in value, as to enable them to purchase Gold at a price not exceeding that of the Mint. Unquestionably it is in their power to effect such a diminution very rapidly. If the separate advantages of any part of the community could, in a matter of this importance, be held distinct from that interest which must be common to all, in guarding against any general pressure of publick distress, those classes who suffer most by the depreciation, without deriving, even indirectly, any profit from it, and not the Bank, would be most benefited by their pursuing this line of conduct. It is true, however, that, neither the great profits which the Proprietors of Bank stock have derived from the restriction, nor any circumstances by which they stand connected with the Government, or the trade of the country, would, of themselves, entitle the publick to expect that the Directors should make any positive and considerable sacrifice of the interests of their constituents. But how far would this be the case, should they pursue a more moderate course? I assume that, in the event of a period for the opening being fixed, the Bank would find it necessary to buy gold. In order to purchase it they would be obliged to give the market price; and I admit that the difference between that price and that of the Mint would, ultimately, be so much loss to the Bank. But then, independently of the profits which they have made of late years by an enlarged circulation, unattended with any sacrifice for the purchase of gold; it is obvious, that, in whatever proportion above the Mint price their future purchases might be made, in the same proportion must their issues, bearing interest, be above the amount which ought to be in circulation, or which, in fact, they would be able to maintain in circulation, if the restriction did not exist. Suppose one million in gold to be bought at an average of *ten* per cent. above the Mint price, in the course of the first year after the Bank shall have received notice of a definite period for the resumption of cash payments;—if, during that year, the Bank should have in circulation, upon an average, two millions of paper, beyond the proportion, which, but for the restriction, it would have been able to issue, the immediate and accruing profit from the interest on the latter sum, would be exactly equal to the contingent loss upon the purchase of the gold, when cash payments should be resumed.

Without, therefore, exposing the Proprietors of Bank stock to any material loss, or probably to any loss at all, the Directors may effect a re-

duction

duction in their issues, gradually and slowly, by apportioning that reduction over nearly the whole time which the law may assign to them to prepare for the opening. In the same manner they may, during the whole of that period, and without forcing the market, be adding to their stock of gold, of which the nominal price would continue to fall, in proportion as the amount of their notes was brought nearer to its proper level. This balance of profit, from excess of issues on the one side, and of loss upon their purchases of gold on the other, fluctuating, perhaps, in a trifling amount one way or the other, would of course cease altogether, so soon as the paper should be restored to the value it purports to represent.

The Bank, therefore, as a trading company, would have very little, or perhaps no inducement to make a sudden and violent reduction of its issues; such as might derange prices, and distress trade, or operate to the prejudice of the fair credit and legitimate dealings of the community. In all the other relations of life and publick duty in which the Directors stand,—as merchants of the first eminence,—as men attached to the prosperity of their country, and studious to preserve that high estimation in which they are justly and universally held, they would find the most powerful motives for adopting a moderate and cautious line of conduct, in the reduction of their issues.

It will not escape the reader, that, in the view which I have taken of the mode in which the interests of the Bank would be affected by the necessity of purchasing gold under the present circumstances, the argument by which I have endeavoured to shew that it would be attended with no real sacrifice, is derived, not from a comparison with their present situation and advantages, but of what their situation and advantages would have been, from the circulation which they would now have been able to maintain, if no interruption had taken place in their cash payments. This, and not their present scale of profits, it must be obvious, is the fair comparison. These profits are increased, not only by an amount of issues carried beyond its proper limits; but by the Bank being relieved altogether from the necessity of purchasing gold in proportion to that circulation, or indeed of purchasing any gold at all.*

Another

* Although the measure of the loss be different, in principle, and in degree, it is as much a diminution of profit to the Bank, to purchase gold at £3 17s. 10½d. as at £4 10s. or any other price. The notes issued for such purchases are the only part of their circulation from which they derive no profit. All their

Another difficulty may be started against the proposal for fixing a period, however distant, for the resumption of cash payments, namely—that the

their other issues are upon securities bearing interest. As a Bank, therefore their policy, at all times, must be that the proportion of their notes issued for the former purpose should be as small, and for the latter as large as possible. Still better for them, if this buying of gold can be dispensed with altogether. This last advantage appears to be ensured to the Bank, so long as, by an excess of circulation, the market price of gold shall be higher than £4 per ounce, which the Directors have fixed upon for their buying price. By every addition to their circulation, therefore, they not only secure to the Proprietors of Bank stock an augmentation of profit proportinate to the increase of that circulation; they also effectually guard against any drawback to that profit, by permanently maintaining the price of gold above £4 per ounce. This course of proceeding is, at once, so ingenious and so simple, in its operation so effectual, and in its application so completely in the power of those who are exclusively benefited by it, so long as the restriction law shall continue, that it is not very surprising that the Proprietors of Bank stock should be disposed to resist any suggestion which touches that law; and to prefer the *sound discretion* of the Directors, unfettered by the controul of cash payments.

Every one must be aware how very near this state of things, now openly avowed as a system, and almost claimed as a right, comes to a state of *paper* MONEY, according to the definition which has been given of *paper money*. It is paper rendered current by the authority, though not issued for the benefit of the State. It consists of loans advanced at interest: that interest being altogether for the benefit of the corporation the Directors of the Bank, notwithstanding any decision of Parliament, may increase the amount of their paper, or, at least, may not so reduce that

ration of the Bank. I may be told however that there is no resemblance between Bank notes and *paper money*, because these notes circulate entirely upon *confidence*. To which I answer, that the law, which virtually makes Bank paper a *legal tender*, as much *forces* it into circulation in this country as *paper money* could be *forced* in any other country, by any law, which might in the most direct terms, make the paper of such a country a *legal tender*. Whether the government first originate the paper money in payment of its own creditors, and *compel* all other persons to receive it from them; or whether it authorize a Bank to advance loans of such money for its own profit, and *compel* all other persons to receive it from those who obtain such advances, there is no difference as to the degree of *compulsion*. I may add, that, in both cases, such paper will be received in the purchase of all commodities by a reference to the price of the precious metals in that paper; and consequently that the principle which determines the current value of Bank notes and of *paper money* respectively, is the same. *Confidence*, in the sense in which it is here used, is only the measure of that value.

I have thought it necessary to state thus much, because the assertion, "that a Bank note is never forced into circulation," is constantly put forward as an irrefragable proof that those notes cannot be depreciated. May I be allowed to ask, whether the Bank do not pay the publick dividends, and whether, under the law for raising the Property Tax, they do not pay them at the rate of eighteen shillings for every twenty shillings stipulated for in the contract? What would be thought

of

that amount, as to be prepared for the opening, when the time that may be fixed for it shall arrive: and that, by this expedient, they might compel Parliament to grant them a further term in the restriction.

That any provision which Parliament can make for terminating the restriction will be so far incomplete, that it will not ne-

of the logick of any man who should tell the publick creditor, that he is not compelled to take eighteen shillings in the pound, because he is at liberty to abstain from receiving his dividend at all?—But if he does receive his dividend, he is compelled to leave two shillings in the pound, or *ten* per cent. in the hands of the Bank, in trust for the use of the State.—He is equally compelled to receive the remaining eighteen shillings in Bank paper, subject, however, to the same option of not receiving them at all. A payment in such paper is, at this moment, a virtual deduction from his dividend of three shillings more, or of 15 per cent; just as much a real and a *forced* deduction, as if it were made directly from eighteen shillings of *standard* money, under all the powers and penalties of the Property Act. The publick creditor, therefore, receives fifteen shillings in the pound of *standard sterling money* and no more. If the Bank of England were, to-morrow, to issue such an amount of notes as would reduce the *paper pound* in value to one shillingsworth of gold, every man would be *compelled*, just as much as he is *now*, when it is still worth seventeen shillings, to receive those paper pounds for twenty shillings each.

Preposterous as this extreme case may appear, there is no security, as the law now stands, against such an issue, except in the *discretion* of the Bank.

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cessarily carry along with it the means of enforcing its own object, is certainly true. This objection, however, to the specifick period suggested by the Bullion Committee, would equally apply to any other proposal founded on the principle of assigning some fixed determination to the operation of the restriction law. But this difficulty, like that which would arise from an over-rapid diminution of Bank paper, rests on a supposition, possible certainly, but most improbable. They are both extreme cases.— Neither of them stated, nor contemplated, by those who concur in the principles and suggestions of the Report: though intimated in language too plain to be misunderstood, by those who profess themselves most anxious to prevent any change in the present system. As far as these insinuations affect the character of the Bank, they may do mischief, as coming from persons professing to be friendly to that institution. The conduct of the Directors, under whatever arrangement may be finally adopted by the wisdom of Parliament, will, I am confident, fully shew that all such insinuations are entirely unfounded.

With respect to the manner in which our trade may be affected by the resumption of cash payments, no argument has been offered to

shew,

shew, and no statement, I am persuaded, can be produced to prove, that any serious difficulty or pressure is likely to arise, if the excess of our circulation shall be withdrawn in that gradual, cautious, and almost imperceptible manner, in which this change may be effected, in case two years shall be allowed for the purpose. This, beside, is a period within which every adventure now pending will probably be completed, and every credit now outstanding brought to maturity. Every merchant, consequently, will have ample notice, and full time to regulate his dealings, and to bring his affairs within such a compass, compared to his capital and state of credit, as he may think prudent and necessary. No one will be taken by surprise.—There will be no sudden fall in the price of goods;—no rapid fluctuations in the markets.—Our currency, I am sanguine enough to hope, may be brought back to its sound state, if not altogether without difficulty in some quarters; at least with much less difficulty than has been experienced, within these few last months, from the consequences of the speculation and over-trading, created and fostered by the excess of that currency.

Some persons, wholly unacquainted with the nature of commerce, or with any of the details [illegible] or or bearings of the subject, I am told, dismiss the Bullion Report with a short remark, "that it recommends what is impossible:—for that gold cannot be procured." To this, I think, I have already given a sufficient answer, unless the principles which regulate the purchase and sale of the precious metals are now become altogether different from those which have hitherto applied invariably to all commodities which can be the objects of barter. I may, however, further observe, that gold does not form the basis of the currency of any other country;—that the quantity of gold in Europe is not less now, and is probably greater, than it was at any former period; that the *price has not risen on the continent;*—that it is to be purchased in the markets there; in the markets of Africa and America; in our own market. If, in these markets, the Bank will buy progressively, and, through proper agents, whatever gold bullion may be obtained without raising the price against itself, a very large quantity may be procured in two years, and, upon the whole, at a fair price. But then, in order to ascertain what is a *fair price* for *gold*, we must take its relative value* to *silver* such as it now exists.

It

* Supposing that value, as it appears by the evidence of Mr. Grefulke and others, to be on the continent $15\frac{1}{2}$ to one: then

It is no secret, that the Bank, soon after the Restriction, bought and imported a very considerable supply of gold. It has since issued very little. To these facts, I may add my confident opinion, (though this of course can be only matter of opinion) that it is, therefore, actually possessed of a large stock of gold. This stock, even without any addition, would, of course, be brought nearer to the proportion which it ought to bear to the amount of notes issued, as the latter is gradually diminished.

A great quantity of gold, which is now hoarded, would also make its appearance, if guineas were restored to their use and value as currency. In this respect, the country is in the same situation as it was in King WILLIAM'S time, when our metallick currency was so much depreciated. Before the determination to restore that currency to its standard, pieces of full weight were as scarce as guineas are *now*; but when that determination was taken and carried into effect, a great quantity of good money, which had been hoarded, was brought back into circulation.

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then 15½ ounces of silver are equal to £3 17s. 10½ds. or to an ounce of gold. In Bank paper 15½ ounces of standard silver, at the present market price, which is about 5s. 10½d. per ounce, cannot be purchased for less than 91 shillings.

In

In opposition to all these grounds of confidence, that the difficulty of resuming cash payments will not be so great as is generally imagined, it has been stated, that the increase of our commerce and of our revenue requires a vast increase of currency.

It might easily be shewn, indeed it is obvious, that in a country at once rich and free, in which, from these advantages, joined to the long enjoyment of publick tranquillity, *credit*, either verbal or written, transferable or dormant, is extended to all the transactions of society, operations to a much greater amount may be carried on with a proportion of currency which would be altogether insufficient for the same operations in another country, not possessing these benefits, or in which they might be less firmly established, or less amply enjoyed. In this country, where they are all united in the highest degree, the ingenuity of individuals, especially of our merchants and bankers, is constantly at work, to devise new means of substituting credit for the actual intervention of money, and to find fresh expedients, either to supply its place, or to economize the use of it, in their dealings with one another. If this were a proper occasion for such a detail, it might easily be shewn, that in this way, many improvements have been made,

of

of late years, in the mode of carrying on the banking and commercial concerns of the metropolis, all tending to introduce a greater economy in the use of money. The quantity of currency, therefore, requisite for the purpose of exchanging and distributing the commodities of a country, is not to be measured by the extent of its wealth and commerce, compared with the wealth and commerce of other countries, or with its own, at former periods. Neither is that quantity to be measured by the publick revenue. In proof of this assertion, as applicable to the present state of this country, it is not necessary to go into a minute statement of the course of proceeding at the Exchequer, although it is by such a detail that the proof would be most completely established. It is sufficient to state, that in the evening of each day, the whole receipt of the revenue, within that day, is carried to the Bank; and that from the Bank the whole amount of such receipt may be, and probably is, sent into circulation again on the following day, in the discount of commercial or Government securities. If the daily receipt of the Exchequer be, upon an average, increased from twenty to one hundred thousand pounds, it by no means follows that any thing like a proportionate increase, or indeed that any very considerable increase in the whole amount of the circulation would be requisite, in consequence of this increase in the revenue. Did any man, before the Restriction, ever dream of enquiring into the numerical amount of Bank issues, and of regulating and adjusting that amount by the quarterly account of the Consolidated fund, or by the annual return of our Imports and Exports? What is the link which connects the value of paper, regulated in its amount by some such numerical scale, with that of the precious metals? By what standard of value is that scale to be increased or diminished? Is that standard to be sought for in artificial checks and banking regulations—*bye*-laws of the Bank Corporation, made not for the object of restraining their loans, but for their own protection against the risk of insolvency in those to whom such loans are advanced?

But even if it were admitted that a much greater numerical account of money is necessary in consequence of the increased revenue and commerce of the country, it by no means follows that this augmentation would require to be made in the metallick part of our currency. Circulating credit, either in the shape of Bank notes, or in some other description of security, will always be preferred to coin in all the large

operations

operations of trade. For all considerable payments, paper possesses many obvious advantages over metallick currency. In other respects it is also more convenient. The actual holder of a note, convertible at will into cash, knows that the guineas which that note represents, and which it can always command, are not liable to be under weight, or to become so, by wear in his possession; while every person who may receive that note in succession, equally knows that, without the trouble of weighing, or the risk of deception, it conveys the same title to him.

The Bullion Committee proposes that the small notes of the Bank of England should not be withdrawn till a certain period after the resumption of cash payments. If this precaution should be adopted, I have no doubt that many of those small notes will continue to circulate till the end of that period, from the preference, which, in many instances, will be given to them over gold.*

* The withdrawing of the small notes is a measure suggested by considerations of publick expediency which ought to outweigh perhaps the economical advantages which the country derives from the use of them. It is not necessary at present to examine the question in this comparative view, although I own that I very much doubt whether country Banks ought not to be allowed to issue notes as low as two pounds.

 It

It has been suggested, as another objection, against terminating the Restriction law, that a state of circumstances might, by possibility, arise, in which it might be proper to re-enact that law.

I admit that it is possible, in the present extraordinary state of the world, that, in the course of events, a recurrence of similar circumstances, of general alarm, commercial pressure, and stagnation of individual credit, such as existed in 1797, may, at some future period, again compel the Government of this country to afford to the Bank a temporary protection against the demands which may be made upon it for gold. For it must be obvious, that no Bank, however cautious and prudent, can possibly exist, either with advantage to itself, or to the country, unless its circulation of Paper, upon an average, shall considerably exceed the amounts of its deposits, in cash or bullion, for meeting the possible demands that may be made upon it. The consequences of sudden publick alarm cannot be measured. They baffle all ordinary calculation. Cash is then withdrawn, not because the circulation is excessive, but by the country Banks and the town Bankers, for the purpose of meeting possible demands upon them, and by the community at large, either

directly

directly from the Bank, or indirectly through the former channels, for the purpose of hoarding, from the dread of some imaginary or contingent danger. In such a crisis, every reduction in the amount of Bank paper, is so far from checking the drain, that it aggravates the general distress; because the gold which is taken out of the Bank, instead of being substituted in circulation for the notes withdrawn from it, is for the most part locked up, and thus, in proportion as the stagnant and straightened circulation wants life and aid, it becomes every day more embarrassed, whilst each new calamity produced by such a state of things, contributes to spread and increase the general apprehension. It is therefore manifest, that by a possible combination of circumstances, the Bank might be driven to part with its last guinea, not only without having checked the drain, but with the certainty of increasing it, in proportion as the amount of their notes was diminished. At such a moment, the preservation of the Bank from actual failure, though an important, is but a secondary consideration:—that of the country is the first. The possible cases, however, which may call for such an intervention of power, are not capable of being foreseen or defined by law. The necessity may not occur again:

again: if it should, the application of the remedy must be left to those who may then be at the head of affairs, subject to their own responsibility, and to the judgment of Parliament. But I must observe, that in proportion as the knowledge to be derived from the experience of 1797, on the one hand, and of the two last years on the other, shall be more generally spread through the country, and as the principles of our money system and of circulating credit shall be better known and more generally understood, will the recurrence of such a crisis be rendered less probable, the danger of it more easily met and overcome, and the nature of the remedy, as well as the extent to which it may be used, more fully ascertained. It is a possible, temporary, and transient interruption of the ordinary course of our circulation, of which we are compelled to meet the risk, in order to insure to ourselves the habitual, permanent, and incalculable advantages of an extensive and secure circulating paper credit. This is the lesson we should learn from the use of the Restriction in 1797, on the one hand; and from the inconveniences to which it has led on the other.

It has been objected, that the consequences derived from the arguments which prove the depreciation of our currency, if pushed to their full extent, would go to establish a title in persons who suffer from being paid in that depreciated currency, to some compensation for the difference between the payment received, and the amount in standard money of their just and legal demands. According to the principles of strict justice, it may indeed be impossible to deny that this compensation is due to them. The injury which they now sustain, by being paid in Bank notes, is precisely of the same description as if they were compelled to receive in payment clipped and light coin. In the latter case, every man would agree that such coin ought to pass, not by *tale*, and according to its *denomination*, but by *weight* only. To the former, the same principle might apply. But no arguments are to be looked at with more suspicion than those, which, from the acknowledged impossibility of attaining to perfection, would infer, that it is absurd to attempt the nearest possible approximation to it. If a system be erroneous, the very consequences of its errors generally constitute the most powerful impediment to a correction of it.—But if that impediment were to be held conclusive, the result would

would be no other than this—that the errors of inadvertency, when they have prevailed for a certain time, are, upon a discovery of their nature, to be persevered in, from deliberation and choice. In the present instance, the result would be, that, a certain degree of injustice having been innocently done, and a certain degree of injury unavoidably suffered, the awakened consciousness of that injustice and that injury, should only lead to an advised confirmation of the system by which they have been produced. Any man who will give the slightest consideration to the subject, will see that it is not possible to redress the inconveniences which have been sustained; and to every man of sober understanding "*that it is impossible*," is a sufficient answer. But the future is within our power. The Legislature can prevent the continuance and augmentation of the evil; and it is, therefore, its bounden duty to do so.

I am not sure that some persons will not be found, who, however unable to deny that the depreciation of our paper is proved beyond all doubt, will still be disposed to maintain that the evil of such a state of things, great as it is, is

more

more than compensated by some greater publick advantages. It will be incumbent upon them to shew what those advantages are, that ought, in their judgment and in their morality, to outweigh the strongest claims of justice, and the plainest dictates of publick honour; and distinctly to point out to what extent, and by what classes of the community, they are enjoyed. I purposely forbear again adverting to the various classes and descriptions of persons, subsisting upon fixed incomes, whom I have already shewn to be pre-eminently (though they are not exclusively) sufferers from the present state of things.

First, then, is it for the benefit of the landed interest that the present system should be continued? Surely this part of the community is too just to wish for profit to be obtained at the expense of others, even their nearest relations or friends; too enlightened to countenance a system which, progressive in its nature, would, if unchecked, ultimately lead to the subversion of all property.* One large class of landed proprietors indeed—those whose lands are actually

* If ever there was a proposition universally true, this has proved itself to be so in all countries in which *paper currency*, from any combination of circumstances, has been suffered to grow into a *paper* MONEY.

under

under lease—being for the remainder of those leases within the description of persons of fixed income, suffer in the same manner as other persons which that class comprehends.—They even suffer more;—inasmuch as the reserved rent is generally subject to repairs and other outgoings, the expense of which is of course increased in proportion to the depreciation of the currency in which it is paid. In such a state of things, landlords will be naturally disinclined to grant new leases. Is this the way in which the cheapness of paper is to contribute to the improvement of their estates? So far from it, that every landlord must be satisfied, by a moment's reflection, that the advancement of agriculture is best secured by holding out a fair inducement to the employment of capital in this most essential branch of national industry; and that it is, by the real improvement of the land, and not by a mere nominal increase in the annual rent, that he must measure the rise in the value of his estate. If, by good husbandry, the produce of an estate be doubled, its real value will be proportionably increased; but, if the produce remain the same, and the increased rent, in Bank paper, be not exchangeable for a greater *quantity* of gold than the landlord was intitled to receive under the old rent, the real value of the estate will be any thing but augmented by such a rise in the rent.*

Secondly, is the commercial class really benefited by this state of things? It is impossible to deny that some, and, perhaps many individuals, connected with trade, have derived advantage from the greatly increased facility which has prevailed, within these two or three last years, of obtaining credit upon the discount of commercial securities; and that a few, who have been fortunate, in watching their opportunities, and in boldly availing themselves of this facility, have made great and rapid profits by their speculations. But whether the mercantile body of this country, considered in the aggregate, has reaped any substantial advantage, or will ultimately derive any benefit, from the super-abundance of paper

* The price of land (either to rent or sell) like that of all other objects, is, of course, raised in proportion to the depreciation of our currency. But the greatest part of the increased value which landed property has acquired within these last ten years, is, I believe, fortunately for the prosperity of this country, of a more durable and substantial nature, and is fairly to be accounted for by the great improvements made in the science and practice of agriculture; by which the productions of our soil have been both ameliorated in quality and increased in quantity.

currency

currency is, to me at least, a much more doubtful question. It is impossible for any observer of events accurately to discriminate between the adventures to which this excess has given rise, or, at least, a principal aid and support, and those which have their foundation in the mercantile capital and industry of the country, and would have been carried to the same, or, perhaps, to a greater extent, if the amount of discounts and circulation had been kept within those limits which are compatible with the sound state and undepreciated value of our currency. That some speculations which, it may be fairly presumed, belong to the former class, have turned out unfortunate; whilst others, which are still pending, are of precarious issue, is, I am afraid, an opinion but too well founded, and one to which, I apprehend, that recent and passing events have made many converts among those who have the best practical knowledge on these subjects.

The convulsions of the world have thrown a principal part of the trade of Europe and America into new channels. The first who explored those channels, and had the address to elude the difficulties and dangers which beset the approaches to them, were eminently successful. Their exports were inadequate to the demand abroad; their returns unequal to our wants at home. Great profits were the result. This result became generally known, and the temptation was irresistible. Not only the original adventurers, in most instances, re-embarked largely in the same pursuits; but hosts of new ones sprung up in every corner of the kingdom: every one, anticipating a gain like that of the first speculators, became, of course, anxious to procure credit to the greatest possible amount—negotiable securities were multiplied in every shape—discount was sought for in every quarter—ingenuity was at work to multiply the means of obtaining and affording accommodation.* So long as the sales were

* It has been said, that any step which may be taken towards the resumption of cash payments, would immediately compel the Bank Directors to reduce, in a very great degree, the amount of their accommodation to the merchants; and some persons have gone so far as to insinuate, that they would probably cease to discount altogether. The abettors of the present system have used this language with much success, as the means of creating an alarm in the mercantile world. To me there appears to be no necessity for making any sudden or violent diminution in their discounts: indeed there is no reason why they might not be continued to the same amount as at present. Every facility that could be required would, no doubt, be afforded by Parliament in this respect. The whole of the six millions, advanced in consideration of the deposits

were brisk; so long as the demand, both for raw materials and manufactured goods, continued to increase, and prices to rise in the home market, every

deposits of publick money, if necessary, might be repaid; and, instead of this advance, an annual sum might be paid by the Bank to the publick equivalent to the saving on the interest of this loan. This repayment would afford to the Bank more than a sufficient latitude for gradually reducing their circulation without any diminution whatever of their commercial discounts.—But this is a narrow view of the question—The root of the evil is not in the discounts of the Bank.—Their power of giving an increased accommodation to the trade of the country, and the extent to which it is now carried, depend more on the greatly increased amount of the balances deposited by Government in their hands, and which are lent out again upon good bills of exchange, than upon the enlarged amount of their circulation. The amount of these deposits is independent of the amount of the latter, and would not be affected by its reduction, whilst the effect of that reduction, in raising the value of their paper, would be precisely the same, whether it were brought about by a diminution of their loans to Government or to individuals; because it is to the aggregate excess of their issues, and not to the particular nature of the securities on which they are made, that the depreciation is to be ascribed.—That excess affords a facility to the abuse of credit, and gives birth to wild adventures in other quarters: those, I admit, will be checked by a diminution in the total amount of their currency; although it should be effected without any diminution in the scale of commercial discounts at the Bank of England. But have we not seen enough of the ultimate effects of this artificial facility, every thing went on smoothly, as much to the satisfaction of the manufacturer and merchant, as of those to whom they were indebted for the discount of their bills. It was then that all these parties discovered to what a degree the suspension of cash payments afforded facility and security to the extension of this description of credit: but the currency, in which the discounts were effected, became depreciated in proportion to the rapid increase in its amount. If trade had continued in its ancient and accustomed course, and the spirit of rash adventure had not been excited by new prospects of extravagant gain, there is reason to believe that the expense of discount, aided by the strict adherence of the Bank to its long established regulations, and by the reluctance to engage in Country Banks, which had been created by the disasters of 1793 and 1797, might have afforded, for some time longer, (as they had for several years after the restriction was first imposed) a sufficient guard against any very material

facility, and these forced speculations? To those who still shut their eyes to the melancholy but instructive lessons which we have lately received in this respect, it would be useless to offer any other proofs of their dangerous tendency. They would remain unconvinced even if all the follies of the South Sea adventure, or of the Missisippi scheme, were acted over again.

excess,

excess, or any great depreciation of our currency. But, on this occasion, the Directors of the Bank appear to have considered the increased eagerness for discount as requiring some increased indulgence on their part; and, perhaps, whilst trade appeared so flourishing, it was not unnatural that they should consult their own fair interest as bankers in this respect.

The amount of their paper was, in consequence, considerably increased, although, by the great and simultaneous augmentation in the circulation of Country Banks, the use of Bank paper beyond the limits of the metropolis became every day more circumscribed. Under these circumstances, the rise in the price of goods, which, at first, was the effect of an increased demand, was soon considerably aided by the depreciation of the currency, as well as by the power which the facility of discount afforded to new speculators (calculating upon a still further rise) of keeping back their purchases from market. Thus the diminution in the value of our currency, brought on in a great measure by this *mercantile delusion*, has, in its turn, been one of the principal means by which the latter has been kept up and supported in the home market. Many a speculation, probably, within these two last years, for which the party takes to himself the credit

credit of commercial acuteness and great foresight, was principally founded, however unconsciously to himself at the time, in the decreasing value of our currency.

In making use of the words *mercantile delusion*, as applicable to a considerable part of the trade, which has been created and fostered, within the two or three last years, by the circumstances which I have stated: I feel that it would be incumbent upon me to offer some more enlarged explanation of the subject, if, unfortunately, many recent occurrences did not, at once, establish the facts, and justify the terms I have applied to them. In the nature of things, such a speculation could not continue universally and uninterruptedly fortunate. The markets, at first scantily supplied, would soon be overstocked. Some of the adventurers, from being too late, others, from ignorance or misconduct, extravagance or misfortune, would fail. The chain was sure to give way in some of its links—great and numerous failures are the consequence—suspicion and alarm become general—securities, hitherto negotiable, can no longer find discount—many of the discounters themselves are ruined, and all put upon their guard—the markets fall—goods are forced upon sale, when all are afraid to buy; and, whilst the fortunate *few* retire upon wealth rapidly accumulated, thousands are left to lament the ruin, which, deluded by the example of such rapid success on the one hand, and tempted by the facility of overtrading on the other, they have brought upon themselves.

I may therefore be allowed to doubt whether a very great proportion of the more recent speculators to *South America*, as well as to *Malta*, *Heligoland*, and the *Baltic*, do not repent that they ever became acquainted with the tempting tale of a few early adventurers, or were so easily furnished with the means of engaging in similar risks, to an extent out of all proportion, either to the amount of their capitals, or to the demand from abroad; and whether, ultimately, the legitimate advantages of commerce, as well as the real interests of the trading and manufacturing classes, will not be injured, rather than advanced, by the consequences of the protracted suspension of cash payments.

This part of the subject reminds me that a few words are still necessary respecting what is called the "*balance of payments*" with foreign countries, to which I have adverted in a former part of these observations. I then left to the reader to judge for himself

himself how far this fashionable doctrine affords a sufficient explanation of the long-continued depression of the foreign exchange, and of the high price of Bullion at home.

That a nation, like Great Britain, possessed of great commercial capital, should afford long credits to other countries, where capital is wanting, and where the rate of interest is consequently much higher, is certainly very natural; and it is an obvious advantage to us in trade. But these credits are given in succession, and some are daily coming to maturity, whilst others are created: so that, although the different parts of the world are constantly indebted to this country, the aggregate amount of those debts cannot, in the ordinary course of things, very materially vary.

But it is obvious, that if, from any peculiar circumstances, an unusual facility of discount exists at home, whilst abroad an advance in price, far exceeding the rate of interest here, is given for goods sold upon long credits, or a proportionate abatement made upon those bought by us for ready money, the balance of debt to this country may be somewhat increased, and the exchange rendered unfavourable for a short time. This fall, if our currency were not

 depreciated,

depreciated, could not exceed the expense of transporting Bullion to the Continent, or continue, as it has done, for two years. Within that period too, it may be remarked, the longest of those credits must probably have come round, and consequently there would now be an end of the argument.

Besides, the increase of foreign debt, and whatever fall of the exchange it may, at one time, have occasioned, are to be ascribed to the abundance and cheapness of our paper; for, if the Bank, when it was liable to pay its notes in cash, had enlarged its issues, till the market price of Bullion, and consequently the course of exchange, were materially affected, these circumstances would have compelled them to make a diminution in the amount of their discounts. That diminution, by rendering money more scarce at home, would have prevented merchants from extending their credits abroad, and induced them, as far as possible, to accelerate the payment of those that were becoming due. The effect would have been to assist in improving the foreign exchange, till it was restored to its proper level, and, with it, the facility of discount at home to its ordinary course. This increased *balance of debt* (on

which

which is founded the pretended "*balance of payments,*") is therefore only a further instance of the manner in which the harmony of the whole system is destroyed by the derangement of one of its parts, and an additional reason for restoring the value of our paper currency to the standard of our coin.

I will not add to the length of this discussion by examining more in detail the manner in which the interests of the mercantile and manufacturing part of the community are likely to be affected by the continued debasement of our currency. That they are not necessarily exposed to the same injury as is cast upon the other classes of the community I am ready to admit; but then let them recollect all the ties by which they are connected with those classes, and that the durable prosperity of the one cannot be built upon the distress of the other.

The business of a merchant is to buy cheap and sell dear. His general wish is to be able, for this purpose, to command as large a credit as possible. He must consequently, upon abstract principle, be favourable to any system which is likely to give facility to the discount of com-

mercial

mercial securities. His interest, therefore, appears to be the same as that of the banker; whose profit increases with the extension of such discounts. His skill and his success depend upon his rapidly converting credit into goods, and, thereafter, re-selling those goods at advanced prices. Generally, therefore, a merchant is a large possessor or *creditor* of produce, and a *debtor* for a considerable part of the sum with which it was purchased. If the currency, in which that debt is to be liquidated, be progressively decreasing in value, his profit, upon every transaction, will be augmented in proportion to the increased depreciation of the currency. But is this the fair profit of trade? Are these the gains to which the unsophisticated meaning of our laws, the clearest principles of justice on which they are founded, the sacred obligations of publick faith, of which they are the pledge, and the rights and interests of the whole community are to be sacrificed? Is this the description of trade, or rather of gambling, which ought to find friends among the real merchants, or advocates in the Legislature of this country?

Besides, the continued success of such a trade depends upon the progressive increase

of

of the depreciation of our currency. In the more probable case, of a fluctuating depreciation; liable to be increased or diminished by every change in the councils of the Bank; by any extensive or sudden failures of Country Banks, or by the doubts and suspicions to which all currency, if not referable to some established and certain criterion of value, must be obnoxious, it cannot, I think, be long before every *merchant* (if he be really worthy of that name) must wish for some *fixed standard*, by which he may ascertain the value of his commodities, may regulate his purchases and sales, and measure the extent of his engagements—before he must be convinced that paper, "*though never issued except in the discount of perfectly good bills, founded in real mercantile transactions*," may yet be carried to excess—that its real use and benefit (and they cannot be prized too highly) are not in what it adds to the currency of a country, but in what it saves of expense in providing it. That from the profit incident to the issues of such paper, the publick derive a sufficient security that the wants of our circulation will be constantly supplied:—but that the full and safe enjoyment of this convenience, essentially depends

pends on the assurance that such paper shall be strictly *circulating credit;*—that it shall retain its value in conformity to our own *standard*, and thereby, in reference to the currency of other countries;—and that nothing but its interchangeableness with cash, can now restore that assurance, or, at any time, permanently maintain it.

Lastly, is it the interest of the government which calls for this system? This question can hardly be put without seeming to imply an admission which every man must be anxious to deny—that there can be an interest in the Government separate from that of the community. We are told, however, that the taxes could not be raised—that the loans for carrying on the war could not be negociated—and that the whole of our finance is a superstructure, built upon the basis of our present paper currency. These are assertions wholly unsupported by proof. Why could not the taxes be raised? How were they raised before the restriction? Would not the real wealth and capital of the country, as well as its population and industry, continue the same? and what are the taxes but a given proportion

portion of the annual income, which the people of this country derive from their soil, their industry, and the employment of their capitals?

It is true that, the price of all articles being restored to their proper relative value, the taxes upon consumption would, in reality, bear a somewhat higher proportion to the prime cost of the commodities upon which they attach, than they do at present; but not higher than they did when they were first imposed. Besides, as this effect would be produced without any real augmentation of burthen, persons of a fixed income would be able to consume more, and those whose incomes have increased in proportion to the depreciation of money, would not (even should their incomes thenceforward be nominally diminished in the same proportion) be reduced to consume less than at present. The case of the assessed taxes, it must be admitted, would be somewhat different, some of them partaking of the nature of an *ad valorem* duty; but, upon the whole, there could be no very material or permanent diminution in their amount. The *ad valorem* taxes upon the transfer of property, such as the auction

auction duty*, and the stamps upon conveyances, would certainly suffer a nominal diminution; but these branches of the revenue are not very considerable in their amount, and are the only portion of our *permanent* income which

* This duty, in the year ended the 5th of April 1808, produced £272,570, and in the year ended the 5th of April last, £363,434, being an augmentation of *one third:* although, certainly in the last year, there was no pressure in the country to force property into the market. The auction duty is under the management of the excise; and it is not, perhaps, undeserving the attention of those who may wish to look at the difference in the first consequences of a depreciation in the currency of a country, upon the prices of labour and property respectively, that, whilst the produce of this tax has increased more than 30 per cent, most of the other taxes, in the same collection, being upon general consumption,—such as malt, British spirits, candles, soap, and glass, have within the same period, been rather decreasing; and others,—such as beer, leather, salt, &c. have been very nearly stationary. The increased produce of taxes of this class must await an increase in the wages and salaries of labour and industry, proportionate to the decrease in the value of the currency in which those wages are paid. To whatever degree that increase has already taken place, and in proportion as it may become general (if the value and standard of our money shall remain unsettled), the nominal benefit of it will probably be felt in these branches of the publick revenue. This appears to me a very strong proof that the effects of a depreciation of currency upon all the transactions, and upon all the comforts of life, are not merely imaginary.

could

could be much affected. The property tax, being also an *ad valorem duty*, would be liable to some diminution, but as a great part of this tax is levied upon persons of fixed incomes, the falling off, in the first instance, would not be considerable, and would soon be made up by the growing wealth of the country*.

Why could not any loans, that may be necessary, be negotiated? Is it not the amount of capital, compared with the demand for it, and not the amount of circulation, which regulates the rate of interest in a country? And what is it that supports the publick credit of a country, except general confidence in the sufficiency of its resources, and a character for punctuality and good faith in its engagements? Are Bank notes not convertible into cash, the test of the solidity of our resources? Are payments made in a currency referable to no fixed standard of value, the essential criterion of punctuality and good faith?

* I have already observed in how many ways, and to what a degree our publick expenditure is increased by the present state of our currency; and that the savings which form some set off to that increase, are neither honorable, nor just, nor likely to be permanent.

It is true, that the abundance and cheapness of our paper have, in the first instance, a tendency to raise the price of the publick securities, which enables the Government to borrow money on terms nominally better; but it is equally true that, from these same causes, the amount of the loans requisite for the publick service is increased: and who does not see that the latter effect compensates the former? It does so, in the very year in which the loans are made. But if we consider its operation on posterity; if we consider that, in order to effect a small nominal saving *now* in the rate per cent. at which our loans are borrowed, we engage to pay for all time to come an increased amount of interest:—that we contract to pay the more, because that contract is made in depreciated paper;—but that those payments are hereafter to be made in undepreciated money;—who does not see the improvidence of such a system? Who does not see that we purchase the shew of what is at best a fallacious and temporary facility, at the expense of a more than necessary accumulation of real and permanent burthen? Can any one believe, that considerate men will much longer look to the publick funds of the country as a safe and proper deposit for any

permanent

permanent provision which they may be enabled to make for their families, if the principles on which the value of our currency now rests should either be countenanced and supported, upon system, as beneficial to the State, or defended and continued, as a necessary evil admitting of no remedy? This consideration alone forms a most important part of the subject, with a reference to the policy of the present system; and cannot be too seriously weighed by those who must ultimately decide upon the whole merits of this great question. In coming to this decision, let them also look to the character and honour of the nation, and to the impression which that decision will not fail to make in other countries. Foreigners will not be influenced, either by interest or prejudice, in forming their judgment respecting the value of our paper. If they see all the symptoms of a depreciated currency, such as they have witnessed in different parts of the continent, they will not doubt that our paper also is depreciated; and they would by degrees conclude (if all foundation for such a conclusion be not speedily done away) that the change in our money system, by which we have virtually made paper a *legal tender*, (however in its origin the evil may have been

unsuspected,

unsuspected, or may still be palliated in its progress,) will ultimately produce the same disasters, which have marked the course and termination of similar attempts in other parts of the world. Respecting the language, or the predictions of our avowed enemy on this subject, I am little solicitous; but from the dread and mistrust which prevail in every part of Europe, of any thing which, in principle, bears so near a resemblance to *paper* MONEY, I am convinced that the state of our currency, if not speedily rectified, will be a source of disquietude to all those whose hearts and wishes are really with us in this great contest. Nor must we allow ourselves to hope that our national character for strict integrity, and for a rigid adherence to good faith in all our engagements, would not suffer by the protracted duration of the present derangement in our currency. By a refined, and perhaps overstrained sense of our obligations in this respect, we have exempted that part of the interest of our publick funds which belongs to foreigners from the property tax:—and shall we feel no scruples in paying that interest in a currency, of which the depreciation unavoidably exposes them to a much heavier deduction? How can we expect that our dealings and con-

tracts

tracts will continue to be looked to with the same unbounded confidence, and to be held in the same high estimation, if *that* upon which they all turn, and by which their amount is measured, instead of being accurately ascertained and invariably fixed, is referable to no established standard of value whatever, and liable to fluctuations from causes over which the foreigner can have no controul? His apprehensions will soon outstep the reality of the evil, and his speculations on its future progress will contribute to aggravate its present pressure.

The occurrence of some general alarm, arising from preparations, or attempts which may be made by the enemy against this country, or possibly from some internal cause, should not be lost sight of in the consideration of this subject.

The difficulties incident to such a state of things, were confined in 1797 to a stagnation of sales, and to an interruption of credit in all the larger transactions of trade and of the community; but they were not felt in the exchange and distribution of commodities, in the common dealings by which the daily wants of society are supplied. But what would be the result of any general interruption of confidence in paper currency at the present moment, accompanied as it

would

would necessarily be, with an anxiety to part with that currency, and a refusal to accept it in payment for commodities on almost any terms ?* In proportion as confidence would be suspended, would power be substituted to give circulation to our paper?—from the absolute necessity of the case, I apprehend that it would—and what power? Not indeed that of the state, as in despotick countries, but the power, probably, of every possessor of a small note, pressed by his own wants and by those of his family, against the possessor of the commodities by which those wants might be supplied.

But I have said enough, perhaps more than enough, both as to the certain and the possible consequences of the continuance of the evil.—I feel that it is more than time to bring the subject to a close. Let it only be remembered, by those whose duty it is to consider this great question, that the existence of the evil cannot be disguised. It is too late to determine that we will not avow it, even to each other:—a

* Some idea may be formed of the distress which would result from such a state of things, by the sudden inconvenience which has lately been felt in some small districts of the kingdom in which the country Banks, by which their circulation was supplied, have failed.

policy,

policy, which, though it sometimes tricks itself in the garb of wisdom, is not a manly policy, nor one that, in the nature of things, can ever be long successful.

To recommend helpless acquiescence, or to attempt to palliate the mischief, is to hold out to all the world a discouraging picture of the real situation of this country. It is to represent, as our only support in the conflict, this system, which is, in fact, but the lengthened and distorted shadow of our real wealth;—to represent the duration of that system, unsubstantial as it is, as forming the real measure of our resources.

Resources of a far different character this country possesses in abundance. They are to be found in the immense and increasing produce of its territory:—in the unwearied extension of its manufacturing industry:—in the elastick and expansive force of its legitimate commerce:—all mutually aiding and fostering each other:—all fed and put in motion by capital, the genuine growth of progressive accumulation—and not the factitious result of any artificial contrivance.

If, from the currency of a country thus circumstanced, the precious metals have altogether

 disappeared,

disappeared, it is idle to suppose, that such a disappearance can be the effect of natural causes;—it is absurd to exaggerate the process by which they are to be re-acquired into an effort, or a sacrifice;—or to suppose that any other process can be necessary, than that of restoring things to their natural course.

THE END.

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